

Siyathemba

LOCAL MUNICIPALITY



(These statements have not been audited)

FINANCIAL STATEMENTS

30 JUNE 2019

SIYATHEMBA LOCAL MUNICIPALITY

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SIYATHEMBA LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

GENERAL INFORMATION

NATURE OF BUSINESS

Siyathemba Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

Siyancuma Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Siyathemba Municipality includes the following areas:

*Prieska
Niekerkshoop
Marydale
Copperton*

MEMBERS OF THE COUNCIL

<i>Mayor</i>	<i>HME. Tsume</i>
<i>Councillor</i>	<i>PW. Saaiman</i>
<i>Councillor</i>	<i>G. Maritz</i>
<i>Councillor</i>	<i>JT. Yawa</i>
<i>Councillor</i>	<i>EVA. Adams</i>
<i>Councillor</i>	<i>GA. Speelman</i>
<i>Councillor</i>	<i>W. Pelster</i>
<i>Councillor</i>	<i>A. Roberts</i>
<i>Councillor</i>	<i>G. Mackay</i>
<i>Councillor</i>	<i>S. Saaiman</i>

MUNICIPAL MANAGER

IWJ Stadhouer

CHIEF FINANCIAL OFFICER

HH Meiring

REGISTERED OFFICE

<i>Victoria Street</i>	<i>P.O. Box 16</i>
<i>Prieska</i>	<i>Prieska</i>
<i>8940</i>	<i>8940</i>

GRADING

Grade 2

Medium Capacity

AUDITORS

Auditor-General (NC)

Private Bag X5013

KIMBERLEY

8300

PRINCIPLE BANKERS

ABSA Bank, Prieska

ATTORNEYS

Herman van Heerden Attorneys

Voster & Associates

RELEVANT LEGISLATION

Basic Conditions of Employment Act (Act no 75 of 1997)

Collective Agreements

Division of Revenue Act

Electricity Act (Act no 41 of 1987)

Employment Equity Act (Act no 55 of 1998)

Housing Act (Act no 107 of 1997)

Infrastructure Grants

Municipal Budget and Reporting Regulations

Municipal Finance Management Act (Act no 56 of 2003)

Municipal Planning and Performance Management Regulations

Municipal Property Rates Act (Act no 6 of 2004)

Municipal Regulations on Standard Chart of Accounts

Municipal Structures Act (Act no 117 of 1998)

Municipal Systems Act (Act no 32 of 2000)

Municipal Systems Amendment Act (Act no 7 of 2011)

SALBC Leave Regulations

Skills Development Levies Act (Act no 9 of 1999)

Supply Chain Management Regulations, 2005

The Income Tax Act

Unemployment Insurance Act (Act no 30 of 1966)

Value Added Tax Act

Water Services Act (Act no 108 of 1997)

SIYATHEMBA LOCAL MUNICIPALITY

MEMBERS OF THE SIYATHEMBA LOCAL MUNICIPALITY

WARD	COUNCILLOR
1	<i>HME. Tsume</i>
2	<i>G. Maritz</i>
3	<i>EVA. Adams</i>
4	<i>GA. Speelman</i>
5	<i>PW. Saaiman</i>
Proportional	<i>JT. Yawa</i>
Proportional	<i>W. Pelster</i>
Proportional	<i>A. Roberts</i>
Proportional	<i>G. Mackay</i>
Proportional	<i>S. Saaiman</i>

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2019, which are set out on pages 1 to 122 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

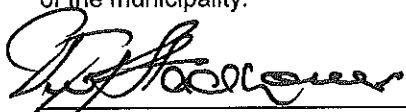
I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2020 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements were prepared on the going concern basis and the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.


W.J. Stadhoer
Municipal Manager

31 August 2019
Date

SIYATHEMBA LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019

	Notes	2019 R (Actual)	2018 R (Restated)
ASSETS			
Non-Current Assets		440 338 673	438 575 878
Property, Plant and Equipment	2	407 928 442	404 774 549
Investment Property	3	17 068 869	17 088 775
Intangible Assets	4	23 172	25 207
Heritage Assets	5	3 950 530	3 950 530
Capitalised Restoration Cost	6	11 348 010	12 700 611
Operating Lease Asset	12	19 650	26 706
Long term Receivables	7	-	9 501
Current Assets		41 391 243	17 563 734
Inventory	8	609 056	753 158
Trade Receivables from exchange transactions	9	11 371 605	9 252 116
Other Receivables from non-exchange transactions	10	2 848 996	5 572 180
Operating Lease Asset	12	7 264	3 419
Taxes	13	7 409 675	1 829 310
Current Portion of Long term Receivables	7	1 994	5 462
Cash and Cash Equivalents	14	19 142 653	148 091
Total Assets		481 729 916	456 139 613
NET ASSETS AND LIABILITIES			
Non-Current Liabilities		32 710 607	33 043 784
Long-term Liabilities	15	1 160 804	1 762 328
Employee benefits	16	12 805 515	13 245 816
Non-Current Provisions	17	18 744 289	18 035 640
Current Liabilities		115 463 153	72 778 848
Consumer Deposits	18	826 584	776 215
Current Employee benefits	19	5 281 415	5 046 690
Provisions	20	3 916 629	3 870 434
Payables From Exchange Transactions	21	81 903 395	62 240 995
Unspent Conditional Government Grants and Receipts	22	22 933 606	-
Current Portion of Long-term Liabilities	15	601 524	844 514
Total Liabilities		148 173 761	105 822 632
Net Assets		333 556 155	350 316 981
Accumulated Surplus		333 556 155	350 316 981
Total Net Assets and Liabilities		481 729 916	456 139 613

SIYATHEMBA LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

Notes	2019 (Actual) R	2018 (Restated) R	Correction of error R	2018 (Previously reported) R
REVENUE				
Revenue from Non-exchange Transactions	81 556 928	74 560 691	-	74 560 691
Taxation Revenue	12 579 895	12 540 267	-	12 540 267
Property taxes	12 579 895	12 540 267	-	12 540 267
Transfer Revenue	67 292 152	62 020 424	-	62 020 424
Government Grants and Subsidies - Capital	31 219 113	18 420 621	-	18 420 621
Government Grants and Subsidies - Operating	35 308 000	35 399 062	-	35 399 062
Public Contributions and Donations	765 039	8 200 742	-	8 200 742
Other Revenue	1 684 880	-	-	-
Actuarial Gains	1 684 880	-	-	-
Revenue from Exchange Transactions	41 105 600	39 091 551	63 256	39 028 295
Service Charges	36 554 863	34 516 105	63 148	34 452 957
Rental of Facilities and Equipment	974 677	784 255	-	784 255
Interest Earned - external investments	544 174	206 534	108	206 426
Interest Earned - outstanding debtors	1 771 798	1 634 571	-	1 634 571
Agency Services	754 825	1 589 272	-	1 589 272
Other Income	505 264	360 815	-	360 815
Total Revenue	122 662 528	113 652 242	63 256	113 588 986
EXPENDITURE				
Employee related costs	42 954 703	42 510 371	2 454 996	40 055 376
Remuneration of Councillors	3 542 941	3 425 658	-	3 425 658
Bad Debts Written Off	332 110	228 570	-	228 570
Collection Cost	3 637	147 051	-	147 051
Depreciation and Amortisation	26 270 717	29 907 528	(5 355 546)	35 263 074
Lease Rentals on Operating lease	345 101	117 739	-	117 739
Repairs and Maintenance	3 723 621	3 349 248	(97 633)	3 446 881
Actuarial losses	-	472 895	-	472 895
Finance Charges	7 838 689	5 983 831	2 201 569	3 782 262
Bulk Purchases	19 478 691	18 173 248	264 296	17 908 952
Contracted services	9 600 556	9 609 620	1 471 324	8 138 295
Stock Adjustments	303 363	65 901	-	65 901
General Expenses	13 035 402	10 863 390	(4 042 099)	14 905 489
Total Expenditure	127 429 530	124 855 050	(3 103 092)	127 958 142
Operating Surplus/(Deficit) for the Year	(4 767 002)	(11 202 809)	3 166 348	(14 369 156)
Reversal of Debt Impairment/(Debt Impairment) on Receivables	(12 421 822)	(10 714 011)	-	(10 714 011)
Gains/(Loss) on Sale of Property, Plant and Equipment	442 953	(2 552 161)	60 506	(2 612 667)
Reversal of Impairment Loss/(Impairment Loss) on Property, Plant and Equipment	(14 956)	(151 949)	39 018	(190 967)
Profit/(Loss) on Fair Value Adjustments	-	-	(2 259 654)	2 259 654
NET SURPLUS/(DEFICIT) FOR THE YEAR	(16 760 826)	(24 620 929)	1 006 219	(25 627 148)

SIYATHEMBA LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019

	Notes	Accumulated Surplus/ (Deficit)	Total
		R	R
Balance at 1 July 2017		503 107 901	503 107 901
Correction of error	38.09	(128 169 990)	(128 169 990)
Restated Balance at 1 July 2017		374 937 910	374 937 910
Net Surplus for the year		(25 627 148)	(25 627 148)
Correction of error	38.10	1 006 219	1 006 219
Restated Balance at 1 July 2018		350 316 981	350 316 981
Net (Deficit) for the year		(16 760 826)	(16 760 826)
Balance at 30 June 2019		333 556 155	333 556 155

SIYATHEMBA LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 R	2018 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Property rates, penalties & collection charges		12 579 895	12 540 267
Service charges		17 949 760	14 924 101
Other revenue		3 002 005	10 935 084
Government - operating		35 308 000	35 399 062
Government - capital		54 150 519	18 420 621
Interest		2 315 972	1 841 104
Payments			
Suppliers		(23 158 873.60)	(21 145 991)
Employee costs		(46 497 643.20)	(45 936 029)
Finance charges		(7 838 689)	(5 983 831)
Net Cash from Operating Activities	39	47 810 945	20 994 388
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	2	(28 983 938)	(17 878 436)
Purchase of Intangible Assets	4	(7 478)	(11 300)
Net Cash from Investing Activities		(28 022 737)	(17 889 736)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans raised		-	112 399
Loans (repaid)		(844 514)	(810 586)
(Increase)/Decrease in Long-term Receivables		500	2 278
Increase/(Decrease) in Non-Current Provisions		-	-
Increase/(Decrease) in Consumer Deposits		50 369	53 244
Rounding		-	-
Net Cash from Financing Activities		(793 645)	(642 665)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		18 994 563	2 461 987
Cash and Cash Equivalents at the beginning of the year		148 091	(2 313 898)
Cash and Cash Equivalents at the end of the year	40	19 142 653	148 091
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		18 994 563	2 461 988

SIYATHEMBA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2019 R (Actual)	2019 R (Final Budget)	2019 R (Variance)	Explanations for material variances
ASSETS				
Current assets				
Cash	19 142 653	18 252 069	890 584	
Call investment deposits	-	-	-	
Consumer debtors	18 781 280	33 912 385	(15 131 105)	Impairment done during AFS compilation more correct that what was budgeted for.
Other Receivables	2 856 260	4 025 001	(1 168 741)	Impairment done during AFS compilation more correct that what was budgeted for.
Current portion of long-term receivables	1 994	-	1 994	
Inventory	609 056	3 869 801	(3 260 745)	Municipality budgeted to procure smart meter. The process of procurment did not realise
Total current assets	<u>41 391 243</u>	<u>60 059 256</u>	<u>(18 668 013)</u>	
Non current assets				
Long-term receivables	19 650	35 003	(15 353)	Impairment done during AFS compilation more correct that what was budgeted for.
Investment property	17 068 869	22 598 000	(5 529 131)	Municipality adopted Directive 11, to revert Investment propert to cost
Property, plant and equipment	419 276 452	409 256 840	10 019 612	
Intangible Assets	23 172	1 429 738	(1 406 566)	Incorrect budgeting process regarding intangible assets
Heritage Assets	3 950 530	-	3 950 530	Municipality planned on donating assets to McGregor Museum. Which did not realise
Total non current assets	<u>440 338 673</u>	<u>433 319 581</u>	<u>7 019 092</u>	
TOTAL ASSETS	<u>481 729 916</u>	<u>493 378 837</u>	<u>(11 648 921)</u>	
LIABILITIES				
Current liabilities				
Bank overdraft	-	-	-	
Borrowing	601 524	304 800	296 724	Municipality entered into agreement with service provider to procure smart meters
Consumer deposits	826 584	805 201	21 383	
Trade and other payables	104 837 001	38 361 223	66 475 778	Correction was made to the AFS in the current year
Provisions and Employee Benefits	9 198 044	881 584	8 316 460	
Total current liabilities	<u>115 463 153</u>	<u>40 352 808</u>	<u>75 110 345</u>	
Non current liabilities				
Borrowing	1 160 804	2 800 400	(1 639 596)	Planned number of smart meter to be installed did not realise
Provisions and Employee Benefits	31 549 804	17 943 202	13 606 602	
Total non current liabilities	<u>32 710 607</u>	<u>20 743 602</u>	<u>11 967 005</u>	
TOTAL LIABILITIES	<u>148 173 761</u>	<u>61 096 410</u>	<u>87 077 351</u>	
NET ASSETS	<u>149 334 564</u>	<u>432 282 427</u>	<u>(282 947 863)</u>	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	333 556 155	415 282 000	(81 725 845)	
TOTAL COMMUNITY WEALTH/EQUITY	<u>333 556 155</u>	<u>415 282 000</u>	<u>(81 725 845)</u>	

SIYATHEMBA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019
ADJUSTMENTS TO APPROVED BUDGET

	2019 R (Approved Budget)	2019 R (Adjustments)	2019 R (Final Budget)	Explanations for material adjustments
ASSETS				
Current assets				
Cash	1 252 069	17 000 000	18 252 069	Additional funding received for MIG, late in the financial year
Call investment deposits	-	-	-	
Consumer debtors	33 912 385	-	33 912 385	
Other Receivables	4 025 001	-	4 025 001	
Inventory	3 869 801	-	3 869 801	
Total current assets	<u>43 059 256</u>	<u>17 000 000</u>	<u>60 059 256</u>	
Non current assets				
Long-term receivables	35 003	-	35 003	
Investment property	22 598 000	-	22 598 000	
Property, plant and equipment	409 256 840	-	409 256 840	
Intangible Assets	1 429 738	-	1 429 738	
Heritage Assets	-	-	-	
Total non current assets	<u>433 319 581</u>	<u>-</u>	<u>433 319 581</u>	
TOTAL ASSETS	<u>476 378 837</u>	<u>17 000 000</u>	<u>493 378 837</u>	
LIABILITIES				
Current liabilities				
Bank overdraft	-	-	-	
Borrowing	304 800	-	304 800	
Consumer deposits	805 201	-	805 201	
Trade and other payables	38 361 223	-	38 361 223	
Provisions and Employee Benefits	881 584	-	881 584	
Total current liabilities	<u>40 352 808</u>	<u>-</u>	<u>40 352 808</u>	
Non current liabilities				
Borrowing	2 800 400	-	2 800 400	
Provisions and Employee Benefits	17 943 202	-	17 943 202	
Total non current liabilities	<u>20 743 602</u>	<u>-</u>	<u>20 743 602</u>	
TOTAL LIABILITIES	<u>61 096 410</u>	<u>-</u>	<u>61 096 410</u>	
NET ASSETS	<u>415 282 427</u>	<u>17 000 000</u>	<u>432 282 427</u>	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	415 282 000	-	415 282 000	
TOTAL COMMUNITY WEALTH/EQUITY	<u>415 282 000</u>	<u>-</u>	<u>415 282 000</u>	

SIYATHEMBA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2019 R (Actual)	2019 R (Final Budget)	2019 R (Variance)	Explanations for material variances
REVENUE BY SOURCE				
Property rates	12 579 895	18 096 692	(5 516 796)	Change due to MSCOA chart not including the revenue forgone portion
Service charges	36 554 863	36 509 147	45 716	
Rental of facilities and equipment	974 677	7 811 561	(6 836 885)	Rental contract did not realise.
Interest earned - external investments	544 174	5 000	539 174	Interest earned on additional MIG funding was not anticipated during budget process
Interest earned - outstanding debtors	1 771 798	1 457 603	314 195	
Fines	-	4 925	(4 925)	
Licences and permits	-	150	(150)	
				During budget process it was anticipated that licencing function would have been transferred earlier to South African Post Office service.
Agency services	754 825	411 831	342 994	
Government Grants and Subsidies - Operating	36 073 039	48 076 097	(12 003 058)	Portion of additional funding received is reflecting as unspent in the AFS
Other revenue	2 190 144	-	2 190 144	Additional funding received from Kgotso Pula Nala.
Gains on disposal of PPE	-	-	-	
Total Operating Revenue	<u>91 443 415</u>	<u>112 373 006</u>	<u>(20 929 591)</u>	
EXPENDITURE BY TYPE				
Employee related costs	42 954 703	39 635 897	3 318 806	
Remuneration of councillors	3 542 941	3 836 150	(293 209)	
Debt impairment	12 753 932	4 387 000	8 366 932	Incorrect impairment used during budgeting process
Depreciation & asset impairment	26 285 673	16 083 940	10 201 733	
				The agreement that all interest on Eskom account to be ring fenced. However agreement was lapsed and interest had to be accounted for in AFS
Finance charges	7 838 689	-	7 838 689	
Bulk purchases	19 782 054	21 414 287	(1 632 233)	
Other materials	-	-	-	
Contracted services	9 600 556	9 965 686	(365 130)	
Grants and subsidies paid	-	-	-	
Other expenditure	17 107 760	14 344 160	2 763 601	Additional expense, on additional Kgotso Pula Nala received
Loss on disposal of PPE	(442 953)	-	(442 953)	
Total Operating Expenditure	<u>139 423 355</u>	<u>109 667 120</u>	<u>29 756 235</u>	
Operating Surplus/(Deficit) for the year	<u>(47 979 939)</u>	<u>2 705 886</u>	<u>(50 685 826)</u>	
Government Grants and Subsidies - Capital	31 219 113	30 225 000	994 113	
Net Surplus/(Deficit) for the year	<u>(16 760 826)</u>	<u>32 930 886</u>	<u>(49 691 713)</u>	

SIYATHEMBA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

ADJUSTMENTS TO APPROVED BUDGET

	2019 R (Approved Budget)	2019 R (Adjustments)	2019 R (Final Budget)	Reasons for material adjustments
REVENUE BY SOURCE				
Property rates	18 007 269	89 423	18 096 692	
Service charges	63 636 577	(27 127 430)	36 509 147	MSCOA error corrected
Rental of facilities and equipment	18 462 214	(10 650 653)	7 811 561	Expected rental income did not realise.
Interest earned - external investments	50 035	(45 035)	5 000	
Interest earned - outstanding debtors	1 301 118	156 485	1 457 603	MSCOA error corrected
Fines	11 152	(6 227)	4 925	
Licences and permits	842	(692)	150	
Agency services	411 831	-	411 831	
Government Grants and Subsidies - Operating	35 006 297	13 069 800	48 076 097	Extra funding received
Other revenue	-	-	-	
Gains on disposal of PPE	-	-	-	
Total Operating Revenue	<u>136 887 333</u>	<u>(24 514 328)</u>	<u>112 373 006</u>	
EXPENDITURE BY TYPE				
Employee related costs	50 268 586	(10 632 689)	39 635 897	At the time of the adjustment budget the municipality did not fill all expected vacancies
Remuneration of councillors	3 630 595	205 554	3 836 150	
Debt impairment	4 387 000	-	4 387 000	
Depreciation & asset impairment	14 685 357	1 398 583	16 083 940	
Finance charges	-	-	-	
Bulk purchases	21 414 287	-	21 414 287	
Other materials	-	-	-	
Contracted services	6 170 822	3 794 864	9 965 686	The municipality under budgeted for contracted services
Grants and subsidies paid	-	-	-	
Other expenditure	13 906 061	438 099	14 344 160	
Loss on disposal of PPE	-	-	-	
Total Operating Expenditure	<u>114 462 708</u>	<u>-4 795 589</u>	<u>109 667 120</u>	
Operating Surplus/(Deficit) for the year	<u>22 424 625</u>	<u>(19 718 739)</u>	<u>2 705 886</u>	
Government Grants and Subsidies - Capital	<u>10 225 000</u>	<u>20 000 000</u>	<u>30 225 000</u>	
Net Surplus for the year	<u><u>32 649 625</u></u>	<u><u>281 261</u></u>	<u><u>32 930 886</u></u>	

SIYATHEMBA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2019 R (Actual)	2019 R (Final Budget)	2019 R (Variance)	Explanations for material variances
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Property rates, penalties & collection charges	12 579 895	12 668 000	(88 105)	
Service charges	17 949 760	31 641 000	(13 691 240)	
Other revenue	3 002 005	11 744 059	(8 742 054)	
Government - operating	35 308 000	42 350 034	(7 042 034)	
Government - capital	54 150 519	40 040 751	14 109 768	
Interest	2 315 972	907 000	1 408 972	
Payments				
Suppliers	(23 158 874)	(79 196 180)	56 037 306	
Employee costs	(46 497 643)	-	-	
Finance charges	(7 838 689)	-	(7 838 689)	
NET CASH FROM/(USED) OPERATING ACTIVITIES	<u>47 810 945</u>	<u>60 154 664</u>	<u>34 153 925</u>	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	968 679	-	968 679	
Decrease/(increase) in non-current receivables	500	-	500	
Payments				
Capital assets	(28 991 417)	(23 041 000)	(5 950 417)	
NET CASH FROM/(USED) INVESTING ACTIVITIES	<u>(28 022 237)</u>	<u>(23 041 000)</u>	<u>-4 981 237</u>	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	-	-	-	
Increase/(decrease) in consumer deposits	50 369	-	50 369	
Payments				
Repayment of borrowing	(844 514)	-	(844 514)	
NET CASH FROM/(USED) FINANCING ACTIVITIES	<u>(794 145)</u>	<u>-</u>	<u>(794 145)</u>	
NET INCREASE/(DECREASE) IN CASH HELD	18 994 563	37 113 664	28 378 542	
Cash and Cash Equivalents at the beginning of the year	148 091	-	148 091	
Cash and Cash Equivalents at the end of the year	(19 142 653)	37 113 664	(56 256 317)	

SIYATHEMBA LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

ADJUSTMENTS TO APPROVED BUDGET

	2019 R (Approved Budget)	2019 R (Adjustments)	2019 R (Final Budget)	Reasons for material adjustments
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Property rates, penalties & collection charges	8 985 242		12 668 000	
Service charges	37 481 000		31 641 000	
Other revenue	11 744 059	-	11 744 059	
Government - operating	32 350 034	10 000 000	42 350 034	Extra grants received from Provincial Departments
Government - capital	9 919 751	30 121 000	40 040 751	Extra grants received from National Departments
Interest	907 000	-	907 000	
Payments				
Suppliers and Employees	(91 940 000)	12 743 820	(79 196 180)	Payments made on extra grants received
Finance charges	-	-	-	
NET CASH FROM/(USED) OPERATING ACTIVITIES	9 447 085	52 864 820	60 154 664	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Proceeds on disposal of Assets	-	-	-	
Decrease/(increase) in non-current receivables	-	-	-	
Payments				
Capital assets	(9 920 000)	(13 121 000)	(23 041 000)	
NET CASH FROM/(USED) INVESTING ACTIVITIES	(9 920 000)	(13 121 000)	(23 041 000)	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	-	-	-	
Increase/(decrease) in consumer deposits	-	-	-	
Payments				
Repayment of borrowing	-	-	-	
NET CASH FROM/(USED) FINANCING ACTIVITIES	-	-	-	
NET INCREASE/(DECREASE) IN CASH HELD	(472 915)	39 743 820	37 113 664	
Cash and Cash Equivalents at the beginning of the year	-	-	-	
Cash and Cash Equivalents at the end of the year	(472 915)	37 586 578	37 113 664	

SIYATHEMBA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared in accordance with the Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2015) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP

These accounting policies are consistent with the previous period. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

In terms of Directive 11: “Changes in Measurement Bases following the Initial Adoption of Standards of GRAP” issued by the Accounting Standards Board, the Municipality elected to change the measurement bases selected for Property, Plant and Equipment, Investment Property, Intangible Assets and Heritage Assets on the initial adoption of Standards of GRAP

1.2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is

SIYATHEMBA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparisons of budget and actual amounts are disclosed as separate additional financial statements, namely Statements of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included in the notes to the annual financial statements.

SIYATHEMBA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

1.8 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities for the 2017/18 financial year and municipalities are not required to apply or early adopt GRAP 18. The implementation date of GRAP 18 is 1 April 2019.

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

REFERENCE	TOPIC	EFFECTIVE DATE
GRAP 20 (Original – Jun 2011)	<p><u>Related Party Disclosure</u></p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt some of the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	1 April 2019
GRAP 32 (Original – Aug 2013)	<p><u>Service Concession Arrangements: Grantor</u></p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public entity.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	1 April 2019
GRAP 34 (Revised – April 2019)	<p><u>Separate Financial Statements</u></p> <p>The objective of this Standards is to prescribe the accounting and disclosure requirements in controlled entities, joint ventures and associates when an entity prepares separate financial statements.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	Unknown
GRAP 35 (Revised – April 2019)	<p><u>Consolidated Financial Statements</u></p> <p>The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	Unknown
GRAP 36 (Revised – April 2019)	<p><u>Investments in Associates and Joint Ventures</u></p> <p>The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	Unknown

SIYATHEMBA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

<p>GRAP 37 (Revised – April 2019)</p>	<p><u>Joint Arrangements</u></p> <p>The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements)</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	<p>Unknown</p>
<p>GRAP 38 (Revised - April 2019)</p>	<p><u>Disclosure of Interest in Other Entities</u></p> <p>The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:</p> <p>a) the nature of, and risks associated with, its interest in controlled entities unconsolidated controlled entities, joint arrangements and associates, and structure entities that are not consolidated; and</p> <p>b) the effects of those interests on its financial position, financial performance and cash flows.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	<p>Unknown</p>
<p>GRAP 104 (Revised – April 2019)</p>	<p><u>Financial Instruments</u></p> <p>The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	<p>Unknown</p>
<p>GRAP 108 (Original – Sept 2013)</p>	<p><u>Statutory Receivables</u></p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.</p>	<p>1 April 2019</p>
<p>GRAP 109</p>	<p><u>Accounting by Principles and Agents</u></p> <p>The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	<p>1 April 2019</p>
<p>GRAP 110</p>	<p><u>Living and non-living resources</u></p> <p>The objective of this Standard is prescribe the recognition, measurement, presentation and disclosure requirements for living resources; and disclosure requirements for non-living resources.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	<p>1 April 2020</p>
<p>IGRAP 17</p>	<p><u>Service Concession Arrangements where a grantor controls a significant residual interest in an Asset</u></p> <p>The Interpretation of the Standards is to provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	<p>Unknown</p>

SIYATHEMBA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

IGRAP 18	<p><u>Recognition and Derecognition of Land</u></p> <p>The Interpretation provide guidance on when an entity should recognise and derecognise land as an asset in its financial statements.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Interpretation.</p>	1 April 2019
IGRAP 19	<p><u>Liabilities to Pay Levies</u></p> <p>The Interpretation provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Interpretation</p>	1 April 2019

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.8. SIGNIFICANT JUDGEMENT AND SOURCES OF ESTIMATION UNCERTAINTY

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables

The municipality assesses its trade receivables at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit.

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications

SIYATHEMBA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the best estimate or net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

SIYATHEMBA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- Cost of items with a similar nature currently in the Municipality's asset register;
- Cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- Cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

Post-retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 16.

SIYATHEMBA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

1.5 INVESTMENT PROPERTY

Investment property is property (land or a building - or part of a building - or both land and buildings held under a finance lease) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Property with a currently undetermined use is also classified as investment property.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is measured at cost.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Subsequent measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

SIYATHEMBA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Years

Investment Property

Buildings	1-79
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Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

Compensation from third parties

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Operating leases

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2014 where it was impracticable to calculate the deemed cost as on 1 July 2007.

1.6 PROPERTY, PLANT AND EQUIPMENT

Initial recognition:

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost, at the acquisition date.

SIYATHEMBA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition. Any transaction cost incurred is recognised as part of the cost of the asset.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Subsequent measurement:

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Infrastructure: - Electricity network - Roads and storm water network - Sanitation network - Water network	Straight line	2 - 45 years 2 - 100 years 3 - 46 years 2 - 58 years
Community: - Community facilities - Sport and recreational facilities	Straight line	1 - 50 years 1 - 50 years
Other property, plant and equipment - Housing - Operational buildings	Straight line	1 - 50 years 1 - 50 years

SIYATHEMBA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

- Emergency equipment		1 - 5 years
- Furniture and fittings		1 – 14 years
- Motor vehicles		1 - 11 years
- Office equipment		1 - 14 years
- Plant and equipment		1 - 14 years
- Leased assets		2 - 9 years
Capitalised restoration cost	Straight line	1 – 18 years

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit.

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. The gain and loss is recognised in the surplus and deficit.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 2).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 2).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Land and Buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings, the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2014 where it was impracticable to calculate the deemed cost as on 1 July 2007.

1.7 INTANGIBLE ASSETS

Initial recognition:

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

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Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Subsequent measurement:

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets' amortisation is provided on a straight-line basis over their useful life.

Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Useful life
Computer software, other	5 years

Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.8 HERITAGE ASSETS

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note 5).

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Initial recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised.

1.9 FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to receive cash or another financial asset from another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

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- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading.

A financial instrument is held for trading if:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
- on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Other financial assets	Financial asset measured at amortised cost
Operating lease asset	Financial asset measured at amortised cost
Receivables from Exchange Transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Finance lease obligation	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost

The entity has the following types of residual interests (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value.

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

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If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to

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exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

In this case, the entity;

- derecognise the asset; and
- recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

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The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.10 LEASES

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Any contingent rents are expensed in the period in which they are incurred.

Finance leases – lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality,

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discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the straight-lined revenue and actual payments received will give rise to an asset.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.11 INVENTORIES

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, plus non-recoverable taxes, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, distributed written-off or consumed, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

In general, the basis of allocating cost to inventory items is the weighted average method or first-in-first-out method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Cost of land held for sale is assigned by using specific identification of their individual costs.

1.12 IMPAIRMENT OF CASH-GENERATING ASSETS

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

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(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated;
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

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Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

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Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Re-designation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above

1.13 IMPAIRMENT OF NON-CASH GENERATING ASSETS

Non-cash-generating assets are assets other than cash-generating assets.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the municipality estimates the recoverable service amount of the asset.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

- (a) External sources of information
 - Cessation, or near cessation, of the demand or need for services provided by the asset;
 - Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

- (b) Internal sources of information
 - Evidence is available of physical damage of an asset;
 - Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date;

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- A decision to halt the construction of the asset before it is complete or in a usable condition;
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year.

Value in use

Value in use of non-cash-generating assets is the remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an oversized or overcapacity asset. Oversized assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units' approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

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When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.14 EMPLOYEE BENEFITS

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

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Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulated leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

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Accumulated leave is vesting.

Bonus

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrues to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

Post-employment benefits

Post-employment benefits (formal and informal arrangements) are employee benefits (other than termination benefits) which are payable after the completion of employment.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

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Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability, the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality.

Ex gratia gratuities are provided to employees that were not previously members of a pension fund.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;

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- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

The interest cost of the defined benefit obligation is recognised as finance cost in the Statement of Financial Performance, as it meets the definition of Interest Cost in GRAP 25

The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

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The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money.

The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.16 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

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The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a non-current provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Reimbursement

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Reversal

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
- the activity/operating unit or part of an activity/operating unit concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for services being terminated;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

After their initial recognition provision recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

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A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 54.

A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

1.17 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs. Unspent conditional grants are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the conditional grant becomes repayable

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.18 UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately disclosed in the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from public.

The following provisions are set for the creation and utilisation of grant receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.19 UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public. Unspent public contributions are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the public contribution becomes repayable to the donor due to conditions not met, the remaining portion of the unspent public contribution is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1.20 COMMITMENTS

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.21 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity

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sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property, a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.22 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue comprises gross inflows of economic benefits or service potential received and represents an increase in net assets, other than increases relating to contributions from owners.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a nonexchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Grants, transfers and donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised

Transferred assets are measured at their fair value as at the date of acquisition.

Property rates

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition, the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of IGRAP 1, as there is no intention of collecting this revenue.

Fines

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Public contribution and donations

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Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

If the services in-kind are not significant to the Municipality's operations or does not satisfy the above-mentioned criteria, the Municipality only disclose the nature and type of services in-kind received during the reporting period. When the criteria for recognition is satisfied, services in-kind are measured on initial recognition at their fair value as at the date of acquisition. Services in-kind include services provided by individuals to the Municipality and the right to use assets in a non-exchange transaction. These services meet the definition of an asset, because the Municipality controls the resource from which future economic benefits or service potential is expected to flow to the Municipality. The assets are immediately consumed and a transaction of equal value is also recognised to reflect the consumption of these services in-kind, resulting in a decrease of the asset and an increase in an expense. The Municipality therefore recognises an expense and related revenue for the consumption of services in-kind.

Insurance payments

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

Unclaimed deposits

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by the law.

Unauthorised, irregular, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

1.23 BORROWING COSTS

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1.24 COMPARITIVE FIGURES

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.25 UNAUTHORISED EXPENDITURE

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.26 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.27 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register.

In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law.

Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.28 BUDGET INFORMATION

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar. The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/2018 to 30/06/2019.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included the notes to the annual financial statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

SIYATHEMBA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1.29 RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

(a) A person or a close member of that person’s family is related to the Municipality if that person:

- has control or joint control over the Municipality.
- has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
- is a member of the management of the Municipality or its controlling entity.

(b) An entity is related to the Municipality if any of the following conditions apply:

- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
- both entities are joint ventures of the same third party.
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
- the entity is controlled or jointly controlled by a person identified in (a).
- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as “Key Management”) includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

SIYATHEMBA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee;
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.30 EVENTS AFTER REPORTING PERIOD

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- Those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decision of users taken on the basis of the financial statements.

1.31 MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of Carrying Value

	Cost					Accumulated Depreciation					Carrying Value R		
	Opening Balance R	Additions R	Work-in-progress	Disposals R	Transfers	Closing Balance R	Opening Balance R	Depreciation Charge R	Impairment Charge R	Disposals R		Transfers	Closing Balance R
30 June 2019													
Land and Buildings	3 561 904	135 500	-	-25 000	-	3 672 404	212 514	25 264	-	-	-	237 778	3 434 626
Land	2 381 273	-	-	-25 000	-	2 356 273	-	-	-	-	-	-	2 356 273
Buildings	1 180 631	135 500	-	-	-	1 316 131	212 514	25 264	-	-	-	237 778	1 078 353
Infrastructure	740 546 976	28 017 214	-	-1 142 392	-	767 421 797	353 592 977	23 832 689	4 669	-641 666	-	376 788 669	390 633 128
Road & Stormwater Network	332 088 707	-	-	-	-	332 088 707	136 581 526	15 742 313	-	-	-	152 323 839	179 764 868
Sanitation Network	146 056 425	33 601	-	-1 028 124	-	145 061 903	68 928 253	2 126 050	-	-578 472	-	70 475 831	74 586 072
Electricity Network	69 373 684	-	-	-	-	69 373 684	40 848 540	1 717 634	-	-	-	42 566 174	26 807 510
Water Network	179 315 527	1 217	-	-114 268	-	179 202 476	107 234 658	4 246 693	4 669	-63 194	-	111 422 826	67 779 650
Work-in-Progress	13 712 632	27 982 396	-	-	-	41 695 028	-	-	-	-	-	-	41 695 028
Community Assets	9 578 489	2 887	-	-	-	9 581 376	1 215 550	135 079	-	-	-	1 350 629	8 230 747
Community Facilities	9 289 483	2 887	-	-	-	9 292 370	1 163 529	129 299	-	-	-	1 292 828	7 999 542
Sport and recreation facilities	289 006	-	-	-	-	289 006	52 021	5 780	-	-	-	57 801	231 205
Lease Assets	4 902 613	-	-	-	-1 962 555	2 940 057	2 657 314	628 141	-	-	-1 810 976	1 474 479	1 465 578
Office Equipment	2 827 658	-	-	-	-	2 827 658	895 861	565 531	-	-	-	1 461 393	1 366 265
Motor Vehicles	1 962 555	-	-	-	-1 962 555	-	1 759 606	51 369	-	-	-1 810 976	-0	0
Electrical Network	112 399	-	-	-	-	112 399	1 846	11 240	-	-	-	13 086	99 313
Other Assets	9 746 279	828 337	-	-	1 962 555	12 537 172	5 883 356	678 265	213	-	1 810 976	8 372 809	4 164 362
Furniture & Fittings	2 472 746	64 331	-	-	-	2 537 077	1 690 791	201 902	213	-	-	1 892 906	644 171
Office Equipment	1 604 750	117 889	-	-	-	1 722 639	1 091 699	181 001	-	-	-	1 272 700	449 939
Emergency Equipment	24 670	-	-	-	-	24 670	19 126	1 619	-	-	-	20 745	3 925
Plant and Equipment	883 214	1 117	-	-	-	884 331	687 789	73 250	-	-	-	761 040	123 291
Motor Vehicles	4 760 900	645 000	-	-	1 962 555	7 368 455	2 393 950	220 493	-	-	1 810 976	4 425 419	2 943 036
	768 336 260	28 983 938	-	-1 167 392	-	796 152 806	363 561 711	25 299 438	4 882	-641 666	-	388 224 365	407 928 442

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of Carrying Value

		Cost					Accumulated Depreciation					Carrying Value		
		Opening Balance R	Additions R	Work-in- progress	Disposals R	Transfers	Closing Balance R	Opening Balance R	Depreciation Charge R	Impairment Charge R	Disposals R	Transfers	Closing Balance R	R
30 June 2018														
Land and Buildings		3 561 904	-	-	-	-	3 561 904	188 901	23 613	-	-	-	212 514	3 349 390
Land		2 381 273	-	-	-	-	2 381 273	-	-	-	-	-	-	2 381 273
Balance previously reported		2 231 243	-	-	-	-	2 231 243	-	-	-	-	-	-	2 231 243
Correction of error - Note	38.05	150 030	-	-	-	-	150 030	-	-	-	-	-	-	150 030
Buildings		1 180 631	-	-	-	-	1 180 631	188 901	23 613	-	-	-	212 514	968 117
Balance previously reported		53 075 721	-	-	-	-	53 075 721	30 882 930	1 378 927	6 306	-	-	32 268 163	20 807 558
Correction of error - Note	38.05	-51 895 090	-	-	-	-	-51 895 090	-30 694 029	-1 355 314	-6 306	-	-	-32 055 649	-19 839 440
Infrastructure		728 457 665	17 669 721	-	-5 580 411	-	740 546 976	332 915 548	23 624 243	128 555	-3 075 368	-	353 592 977	386 953 998
Road & Stormwater Network		314 884 080	-	22 519 750	-5 315 123	-	332 088 707	123 933 481	15 551 421	-	-2 903 376	-	136 581 526	195 507 181
Balance previously reported		315 454 258	-	22 519 750	-5 315 123	-	332 658 885	124 300 841	15 630 685	-	-2 903 376	-	137 028 150	195 630 735
Correction of error - Note	38.05	-570 178	-	-	-	-	-570 178	-367 360	-79 264	-	-	-	-446 623	-123 554
Sanitation Network		146 056 425	-	-	-	-	146 056 425	66 777 182	2 151 071	-	-	-	68 928 253	77 128 173
Balance previously reported		147 555 028	-	-	-	-	147 555 028	66 758 014	2 148 122	-	-	-	68 906 136	78 648 891
Correction of error - Note	38.05	-1 498 602	-	-	-	-	-1 498 602	19 167	2 949	-	-	-	22 116	-1 520 719
Electricity Network		65 645 621	-	3 986 117	-258 055	-	69 373 684	39 361 301	1 655 916	-	-168 677	-	40 848 540	28 525 144
Balance previously reported		65 131 667	-	3 986 117	-258 055	-	68 859 730	40 198 379	1 644 130	-	-168 677	-	41 673 832	27 185 898
Correction of error - Note	38.05	513 954	-	-	-	-	513 954	-837 078	11 786	-	-	-	-825 292	1 339 246
Water Network		179 322 760	-	-	-7 233	-	179 315 527	102 843 584	4 265 834	128 555	-3 315	-	107 234 658	72 080 869
Balance previously reported		178 780 777	-	-	-117 799	-	178 662 978	102 098 229	4 410 351	127 161	-53 374	-	106 582 366	72 080 611
Correction of error - Note	38.05	541 983	-	-	110 565	-	652 549	745 356	-144 517	1 393	50 059	-	652 291	257
Work-in-Progress		22 548 778	17 669 721	-26 505 867	-	-	13 712 632	-	-	-	-	-	-	13 712 632

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of Carrying Value

		Cost					Accumulated Depreciation					Carrying Value		
		Opening Balance R	Additions R	Work-in- progress	Disposals R	Transfers	Closing Balance R	Opening Balance R	Depreciation Charge R	Impairment Charge R	Disposals R	Transfers	Closing Balance R	R
Community Assets		9 578 489	-	-	-	-	9 578 489	1 080 489	135 061	-	-	-	1 215 550	8 362 939
Community Facilities		9 289 483	-	-	-	-	9 289 483	1 034 248	129 281	-	-	-	1 163 529	8 125 953
Balance previously reported		154 835 969	-	-	-	-	154 835 969	71 489 328	3 753 926	6 193	-	-	75 249 447	79 586 522
Correction of error - Note	38.05	-145 546 486	-	-	-	-	-145 546 486	-70 455 080	-3 624 645	-6 193	-	-	-74 085 918	-71 460 568
Sport and recreation facilities		289 006	-	-	-	-	289 006	46 241	5 780	-	-	-	52 021	236 985
Balance previously reported		5 481 499	-	-	-	-	5 481 499	3 028 344	194 771	27 743	-	-	3 250 858	2 230 641
Correction of error - Note	38.05	-5 192 493	-	-	-	-	-5 192 493	-2 982 103	-188 991	-27 743	-	-	-3 198 837	-1 993 656
Lease Assets		4 989 559	112 399	-	-199 346	-	4 902 613	2 008 917	847 743	-	-199 346	-	2 657 314	2 245 299
Office Equipment		3 027 004	-	-	-199 346	-	2 827 658	529 676	565 531	-	-199 346	-	895 861	1 931 797
Balance previously reported		3 393 302	-	-	-199 346	-	3 193 956	895 974	565 531	-	-199 346	-	1 262 159	1 931 797
Correction of error - Note	38.05	-366 298	-	-	-	-	-366 298	-366 298	-	-	-	-	-366 298	-
Motor Vehicles		1 962 555	-	-	-	-	1 962 555	1 479 241	280 365	-	-	-	1 759 606	202 949
Electrical Network		-	112 399	-	-	-	112 399	-	1 846	-	-	-	1 846	110 553
Balance previously reported		-	-	-	-	-	-	-	-	-	-	-	-	-
Correction of error - Note	38.05	-	112 399	-	-	-	112 399	-	1 846	-	-	-	1 846	110 553
Other Assets		10 145 106	96 316	-	-495 143	-	9 746 279	5 595 523	727 284	8 572	-448 024	-	5 883 356	3 862 923
Furniture & Fittings		2 553 698	2 854	-	-83 806	-	2 472 746	1 593 100	167 686	-	-69 995	-	1 690 791	781 954
Balance previously reported		2 518 167	2 854	-	-83 806	-	2 437 215	1 575 702	165 694	-	-69 995	-	1 671 402	765 813
Correction of error - Note	38.05	35 531	-	-	-	-	35 531	17 398	1 992	-	-	-	19 390	16 141
Office Equipment		1 857 971	93 462	-	-346 684	-	1 604 750	1 233 819	182 700	357	-325 178	-	1 091 699	513 051
Balance previously reported		1 825 300	93 462	-	-346 684	-	1 572 078	1 206 596	182 537	357	-325 178	-	1 064 313	507 766
Correction of error - Note	38.05	32 671	-	-	-	-	32 671	27 223	163	-	-	-	27 386	5 285
Emergency Equipment		27 508	-	-	-2 838	-	24 670	19 656	1 745	-	-2 274	-	19 126	5 544
Balance previously reported		23 970	-	-	-2 838	-	21 132	17 452	1 500	-	-2 274	-	16 677	4 455
Correction of error - Note	38.05	3 537	-	-	-	-	3 537	2 204	245	-	-	-	2 449	1 089
Plant and Equipment		937 549	-	-	-54 335	-	883 214	647 410	84 297	-	-43 918	-	687 789	195 425
Balance previously reported		927 923	-	-	-54 335	-	873 588	641 395	83 629	-	-43 918	-	681 106	192 481
Correction of error - Note	38.05	9 626	-	-	-	-	9 626	6 015	669	-	-	-	6 683	2 943
Motor Vehicles		4 768 380	-	-	-7 480	-	4 760 900	2 101 538	290 857	8 215	-6 660	-	2 393 950	2 366 950
Balance previously reported		4 832 060	-	-	-7 480	-	4 824 580	2 150 216	293 226	8 385	-6 660	-	2 445 167	2 379 413
Correction of error - Note	38.05	-63 680	-	-	-	-	-63 680	-48 678	-2 369	-170	-	-	-51 217	-12 463
		756 732 723	17 878 436	-	-6 274 900	-	768 336 260	341 789 379	25 357 944	137 127	-3 722 739	-	363 561 711	404 774 549

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2	PROPERTY, PLANT AND EQUIPMENT (CONTINUED)	2019	2018
		R	R
	Work-in-progress		
	Work-in-progress is compiled from the following on-going capital projects:		
	Prieska Bulk Water Supply	4 971 693	4 090 926
	Marydale: Bulk Sewer Line, Pump Station & Rising Main (MIG 1327)	12 115 901	9 461 822
	Upgrading of streets in Prieska Townships - Phase 3 - 11/2016	4 511 920	159 884
	Siyathemba Bulk Water System Augmentation Project	7 171 130	-
	Upgrading of Prieska WWTW	1 272 332	-
	10/2016 Prieska Electrical Works	986 109	-
	Upgrading of streets in Prieska - Phase 4 - 11/2016	2 402 674	-
	Augmentation of the Marydale Bulk Ground Water Supply	7 621 277	-
	Upgrading of streets in Prieska - Phase 5 - 11/2016	641 990	-
		41 695 027	13 712 632
		2019	2018
		R	R
	The movements for the year can be reconciled as follows:		
	Balance at beginning of year	13 712 632	22 548 778
	Expenditure during the year	27 982 395	17 669 721
	Assets unbundled during the year	-	(26 505 867)
	Impairment recognised during the year	-	-
	Balance at end of year	41 695 027	13 712 632
	No projects are considered to be long outstanding or have been stopped.		
	Expenditure incurred to repair and maintain Property, Plant and Equipment:		
	Employee related costs	-	-
	Other materials	27 704	7 487
	Contracted Services	164	-
	Other Expenditure	3 695 753	3 341 762
		3 723 621	3 349 248
	Impairment of property plant and equipment		
	Impairment charges on Property, plant and equipment recognised in statement of financial performance		
	Land and Buildings	-	6 306
	Infrastructure	4 669	127 161
	Community Assets	-	33 936
	Other	213	8 742
		4 882	176 146
	Effect of changes in accounting estimates		
	The change in accounting estimate originated from the evaluation of the remaining useful lives of the assets at year end as well as the change in conditional assessment and further change to residual values.		
		2019	2018
		R	R
		43 722	(208 919)
		43 722	(208 919)

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

		2019 R	2018 R
3	INVESTMENT PROPERTY		
3.1	Net Carrying amount as at 1 July	17 088 775	17 108 681
	Valuation Cost	17 287 831	17 287 831
	Balance previously reported	-	56 491 346
	Correction of Investment Property against Accumulated Surplus (Correction of duplicate properties between Land and Buildings and Investment Property)	38.06 -	(2 726 449)
	Correction of Investment Property against Accumulated Surplus (Reversal of Opening Fair value as Directive 11 is being applied to restate at Cost)	38.06 -	(53 764 897)
	Correction of Investment Property against Accumulated Surplus (Capturing Opening Cost as Directive 11 is being applied to restate at Cost)	38.06 -	17 287 831
	Accumulated Depreciation	(199 056)	(179 150)
	Balance previously reported	-	-
	Correction of Investment Property against Accumulated Surplus (Capturing Opening Accumulated Depreciation as Directive 11 is being applied to restate at Cost)	38.06 -	(179 150)
	Fair Value Adjustment	-	-
	Balance previously reported	-	2 259 654
	Correction of Investment Property against Statement of Financial Performance - Fair value adjustment (Correction of duplicate properties between Land and Buildings and Investment Property- Fair value movement 2017/18)	38.06 -	(109 058)
	Correction of Investment Property against Statement of Financial Performance - Fair value adjustment (Reversal of Fair value adjustment as Directive 11 is being applied to restate at Cost)	38.06 -	(2 150 596)
	Disposals	-	-
	Depreciation for the year	(19 906)	(19 906)
	Balance previously reported	-	-
	Correction of Investment Property against Statement of Financial Performance - Depreciation and Amortisation - Investment Property (Capturing Depreciation charge for 2017/18 as Directive 11 is being applied to restate at Cost)	38.06 -	(19 906)
	Net Carrying amount as at 30 June	17 068 869	17 088 775
	Valuation Cost	17 287 831	17 287 831
	Accumulated Depreciation	(218 962)	(199 056)
3.2	Revenue from Investment Property		
	Revenue derived from the rental of Investment Property	974 677	804 981
4	INTANGIBLE ASSETS	2019 R	2018 R
	Computer System & Software		
	Net Carrying amount at 1 July	25 207	21 079
	Cost	63 020	51 720
	Accumulated Amortisation	(37 813)	(30 641)
	Acquisitions	7 478	11 300
	Amortisation	(9 513)	(7 172)
	Net Carrying amount at 30 June	23 172	25 207
	Cost	70 498	63 020
	Accumulated Amortisation	(47 327)	(37 813)
		Carrying Value	
	<u>Description</u>	2019 R	2018 R
	Microsoft Office	23 172	25 207
	Remaining Amortisation Period		
	Microsoft Office	1 - 5	
	No residual values allocated to intangible assets, as there is no active market for these software items after use, due to new versions being issued regularly.		
	There are no internally generated intangible assets at reporting date.		
	There are no intangible assets whose title is restricted.		
	There are no intangible assets pledged as security for liabilities		
	There are no contractual commitments for the acquisition of intangible assets.		
	Effect of changes in accounting estimates		
	The change in accounting estimate originated from the evaluation of the remaining useful lives of the assets at year end as well as the change in conditional assessment.		
		2019 R	2018 R
		1 879	1 705
		-	-

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
5 HERITAGE ASSETS		
5.1 Net Carrying amount at 1 July	3 950 530	3 950 530
Cost	3 950 530	3 950 530
Accumulated Impairment Loss	-	-
Net Carrying amount at 30 June	3 950 530	3 950 530
Cost	3 950 530	3 950 530
Accumulated Impairment Loss	-	-

There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds

There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs,

There are no Heritage Assets pledged as security for liabilities

There are no Heritage Assets that are used by the municipality for more than one purpose.

	2019 R	2018 R
6 CAPITALISED RESTORATION COST		
Net Carrying amount at 1 July	12 700 611	3 178 993
Cost	21 199 507	7 140 561
Accumulated Depreciation	(8 455 711)	(3 933 204)
Accumulated Impairments	(43 185)	(28 363)
Acquisitions	-	14 058 947
Disposals	(400 666)	-
Depreciation for the year (Impairment) / Reversal of Impairment	(941 861) (10 074)	(4 522 507) (14 822)
Net Carrying amount at 30 June	11 348 010	12 700 611
Cost	20 798 841	21 199 507
Accumulated Depreciation	(9 397 572)	(8 455 711)
Accumulated Impairments	(53 259)	(43 185)

	2019 R	2018 R
7 LONG TERM RECEIVABLES		
Long term loans - At amortised cost	52 479	52 980
Less: Current portion transferred to current financial assets	(1 993)	(5 462)
	50 486	47 518
Less: Provision for Debt Impairment	(50 486)	(38 017)
Total Long term Receivables	-	9 501

Reconciliation of Provision for Debt Impairment

Balance at beginning of year	38 017	37 007
Contribution to provision	12 469	1 010
VAT on provision	-	-
Reversal of provision	-	-
Balance at end of year	50 486	38 017

The provision for Debt Impairment could be allocated to the different classes as follows:

Long term loans - At amortised cost	50 486	38 017
Total Provision for Impairment	50 486	38 017

Long term loans relates to housing loans financed by the municipality.

As from 01 January 2006 no loan agreement are entered into for the sale of houses. The outstanding loans will be recovered over the remaining period of the individual loan agreements entered into.

The Municipality does not hold deposits or any other security for its Long - term receivables.

No Long - term receivables have been pledged as security for the municipality's financial liabilities.

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
8 INVENTORY		
Stores, materials and fuels - at Current Replacement Cost	272 244	457 892
Water – at Current Replacement Cost	336 812	295 266
Total Inventory	609 056	753 158
Inventory recognised as an expense during the year	407 709	432 307
Inventories write-down to Net Replacement Value (NRV) or Net Replacement Cost (NRC)	-	-
Inventories written down due to losses as identified during the annual stores counts	-	-
No inventory assets were pledged as security for liabilities.		

	2019 R	2018 R
9 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Service Receivables		
Water	48 288 217	41 831 716
Electricity	7 887 928	6 651 015
Refuse	5 071 971	4 338 172
Sewerage	13 589 448	12 095 269
Total Service Receivables	74 837 564	64 916 171
Less: Allowance for Doubtful Debts	(64 941 540)	(56 113 572)
Net Service Receivables	9 896 024	8 802 599
Other Receivables		
Other Debtors	1 952 087	931 245
Balance previously reported	-	908 050
Correction of Trade and other receivables from exchange transactions - Other Debtors against Statement of financial performance - General Expenses - Bank charges (Correction Smartmetering bank charges entries for 2017/18)	38.03 -	-223
Correction of Trade and other receivables from exchange transactions - Other Debtors against Payables from Exchange Transactions - Unknown Deposits (Correction Smartmetering receipts for 2017/18)	38.03 -	-28 368
Correction of Trade and other receivables from exchange transactions - Other Debtors against Statement of financial performance - General Expenses - Meter Management Fees (Correction Smartmetering Meter management fees invoices during for 2017/18)	38.03 -	-9 898
Correction of Trade and other receivables from exchange transactions - Other Debtors against VAT payable from exchange-transactions - VAT receivable (Correction Smartmetering Meter management fees VAT invoices during for 2017/18)	38.03 -	-1 485
Correction of Trade and other receivables from exchange transactions - Other Debtors against Statement of Financial Performance - Service Charges - Electricity (Correction Smartmetering - Prepaid sales during 2017/18)	38.03 -	63 148
Correction of Trade and other receivables from exchange transactions - Other Debtors against VAT payable from exchange-transactions - VAT payable (Correction Smartmetering - Prepaid sales during 2017/18 VAT payable)	38.03 -	9 472
Correction of Payables from exchange transactions - Trade payables against Trade and Other Receivables from exchange transactions - Other Debtors (Correction of Bulk purchases not recorded correctly)	38.03 -	-9 451
Other (Consumer Debtors)	3 191 289	2 667 757
Balance previously reported	-	2 667 757
Correction of Trade and other receivables from Non-exchange transactions - Other Sundry Debtors against Trade and other receivables from exchange transactions - Other (Consumer Debtors) (Correction of classification of service - other (consumer debtors))	38.03 -	-

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)		
Total Other Receivables	5 143 376	3 599 002
Less: Allowance for Doubtful Debts	(3 667 795)	(3 149 486)
Net Other Receivables	1 475 581	449 516
Total Net Receivables from Exchange Transactions	11 371 605	9 252 116
Ageing of Receivables from Exchange Transactions		
<u>(Electricity): Ageing</u>		
Current (0 - 30 days)	2 643 387	2 466 857
31 - 60 Days	375 941	343 382
61 - 90 Days	353 216	218 002
+ 90 Days	4 515 384	3 622 774
Total	7 887 928	6 651 015
<u>(Water): Ageing</u>		
Current (0 - 30 days)	2 522 604	1 840 927
31 - 60 Days	839 599	676 348
61 - 90 Days	761 950	719 710
+ 90 Days	44 164 064	38 594 731
Total	48 288 217	41 831 716
<u>(Refuse): Ageing</u>		
Current (0 - 30 days)	249 040	282 985
31 - 60 Days	158 853	138 771
61 - 90 Days	144 666	121 462
+ 90 Days	4 519 413	3 794 954
Total	5 071 971	4 338 172
<u>(Sewerage): Ageing</u>		
Current (0 - 30 days)	806 726	855 643
31 - 60 Days	598 108	554 079
61 - 90 Days	553 122	497 891
+ 90 Days	11 631 492	10 187 656
Total	13 589 448	12 095 269
<u>(Other Receivables): Ageing</u>		
Current (0 - 30 days)	100 323	114 518
31 - 60 Days	88 446	56 561
61 - 90 Days	56 339	51 017
+ 90 Days	2 946 181	2 445 662
Total	3 191 289	2 667 757

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

10	TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS	2019 R	2018 R
	Service Receivables		
	Taxes - Rates	26 248 751	24 689 779
	Balance previously reported	-	24 698 852
	Correction of Trade and other receivables from exchange transactions against Accumulated Surplus (Correction of Property rates billed prior to 1 July 2017)	38.04 -	(9 072)
	Other Sundry Debtors	7 363	7 362
	Total Service Receivables	26 256 114	24 697 142
	Less: Allowance for Doubtful Debts	(23 407 118)	(19 124 962)
	Net Service Receivables	2 848 996	5 572 180
	Total Net Receivables from Non-Exchange Transactions	2 848 996	5 572 180
	Ageing of Receivables from Non-Exchange Transactions		
	(Rates): Ageing		
	Current (0 - 30 days)	1 534 679	6 398 175
	31 - 60 Days	693 983	519 368
	61 - 90 Days	638 679	480 378
	+ 90 Days	23 381 410	17 291 858
	Total	26 248 751	24 689 779

11	TRADE AND OTHER RECEIVABLES FROM EXCHANGE AND NON-EXCHANGE TRANSACTIONS			
<u>Summary of Receivables by Customer Classification</u>				
	Residential, Industrial & Commercial R's	Other Debtors R's	National and Provincial Government R's	Total R's
2019				
Total Receivables	98 419 415	5 150 739	2 666 900	106 237 053
Less: Provision for doubtful debts	-88 348 658	-3 667 795	-	-92 016 453
Total Recoverable debtors by customer classification	10 070 757	1 482 944	2 666 900	14 220 600

<u>Summary of Receivables by Customer Classification</u>				
	Residential, Industrial & Commercial R's	Other Debtors R's	National and Provincial Government R's	Total R's
2018				
Total Receivables	88 248 903	3 606 365	1 357 048	93 212 316
Less: Provision for doubtful debts	-75 238 534	-3 149 486	-	-78 388 020
Total Recoverable debtors by customer classification	13 010 369	456 879	1 357 048	14 824 296

<u>Trade and other receivables impairment</u>				
	Exchange Transactions R's	Non-Exchange Transactions R's	Total R's	
2019				
Total	(68 609 335)	(23 407 118)	(92 016 453)	
2018				
Total	(59 263 058)	(19 124 962)	(78 388 020)	

Debts (Rates) are required to be settled after 30 days, interest is charged after this date at prime +1%.
The fair value of trade and other receivables approximates their carrying amounts.

<u>Reconciliation of the Total doubtful debt provision</u>		
	2019 R	2018 R
Balance at beginning of the year	78 388 020	66 174 426
Contributions to provision	12 791 280	10 941 571
VAT Impairment	1 219 080	1 532 593
Doubtful debts written off	(381 927)	(260 570)
Balance at end of year	92 016 453	78 388 020

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

12	OPERATING LEASE ARRANGEMENTS	2019 R	2018 R
12.1	The Municipality as Lessor		
	Balance on 1 July	30 125	26 559
	Restated Balance on 1 July	30 125	26 559
	Movement during the year	(3 211)	3 566
	Balance on 30 June	26 914	30 125
	Current Portion	7 264	3 419
	Non-Current Portion	19 650	26 706
	Balance on 30 June	26 914	30 125

Siyathemba Municipality is leasing ground to various tenants for livestock farming, brick field as well as office space. The lease term is for a period of 3 to 10 years with escalations of 3-10% per year.

	2019 R	2018 R
At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:		
Up to 1 Year	143 509	177 997
2 to 5 Years	261 186	378 840
More than 5 Years	40 732	-
Total Operating Lease Arrangements	445 427	556 837

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

The leases are in respect of land being leased out for a period until May 2029.

13	VAT PAYABLE FROM EXCHANGE-TRANSACTIONS	2019 R	2018 R
	VAT Payable	10 599 255	6 043 402
	Balance previously reported	-	6 033 930
	Correction of Trade and other receivables from exchange transactions - Other Debtors against VAT payable from exchange-transactions - VAT payable (Correction Smartmetering - Prepaid sales during 2017/18 VAT payable)	38.01 -	9 472
	VAT Output in Suspense	9 931 323	8 426 037
	Total VAT Payable	20 530 578	14 469 439
	VAT Receivable	(13 742 873)	(7 002 331)
	Balance previously reported	-	(7 001 772)
	Correction of Trade and other receivables from exchange transactions - Other Debtors against VAT payable from exchange-transactions - VAT receivable (Correction Smartmetering Meter management fees VAT invoices during for 2017/18)	38.01 -	(1 485)
	Correction of Payables from Exchange Transactions - Salary Control Account against Vat Payable from Exchange Transactions - VAT Receivable (Correction of allocation of staff insurance deductions for 2017/18)	38.01 -	927
	VAT Input in Suspense	(8 146 764)	(4 464 882)
	Balance previously reported	-	(6 444 941)
	Correction of Payables from exchange transactions - Trade payables against VAT Payable from Exchange-transactions - VAT input in suspense (Correction of Meter management fees on smartmeters for June 2018)	38.01 -	(1 393)
	Correction of Payables from exchange transactions - Trade payables against VAT Payable from Exchange-transactions - VAT input in suspense (Correction of Bulk purchases not recorded in 2017/18)	38.01 -	(67 580)
	Correction of Payables from exchange transactions - Trade payables against VAT Payable from Exchange-transactions - VAT input in suspense (Correction of SALGA creditor as at 1 July 2017)	38.01 -	65 902
	Correction of Payables from exchange transactions - Trade payables against VAT Payable from Exchange-transactions - VAT input in suspense (Correction of EMC Electrical creditor as at 1 July 2017)	38.01 -	47 323
	Correction of Payables from exchange transactions - Trade payables against VAT Payable from Exchange-transactions - VAT input in suspense (Correction of Trade payables as per 2018 payables recon for the period 2017/18 - VAT portion)	38.01 -	1 935 805
	Total VAT Receivable	(21 889 637)	(11 467 213)
	VAT Impairment contribution	(6 050 616)	(4 831 536)
	Total VAT (Receivable)/Payable	(7 409 675)	(1 829 310)

VAT is payable/receivable on the cash basis.

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
15 LONG TERM LIABILITIES		
Capitalised Lease Liability - At amortised cost	1 762 328	2 606 842
Balance as previously reported	-	2 495 662
Correction of Long-term liabilities - capitalised lease liability against PPE - Leased Assets - Electrical network (Recognition of smartmeters during 2017/18)	38.07 -	112 399
Correction of Long-term liabilities - capitalised lease liability against Statement of Financial Performance - General Expenses - Meter management fees (Re-allocation of meter rental payments during 2017/18)	38.07 -	-8 857
Correction of Long-term liabilities - capitalised lease liability against Statement of Financial Performance - Finance charges - Long term liabilities (Capturing finance charges as per amortisation tables for smartmeters during 2017/18)	38.07 -	7 637
	1 762 328	2 606 842
Less: Current Portion transferred to Current Liabilities	601 524	844 514
Capitalised Lease Liability - At amortised cost	601 524	844 514
Total Long-term Liabilities - At amortised cost using the effective interest rate method	1 160 804	1 762 328

	2019 R	2018 R
The obligations under finance leases are scheduled below:		
		Minimum lease payments
Amounts payable under finance leases:		
Payable within one year	830 108	1 158 016
Payable within two to five years	1 343 500	2 173 608
Payable after five years	-	-
	2 173 608	3 331 624
Less: Future finance obligations	(411 280)	(724 783)
Present value of lease obligations	1 762 328	2 606 842

Finance lease agreement is calculated at an interest rate of 10.5%-38% or Prime +1% . With a last maturity date of 30 April 2023.

Refer to note 2 for the finance lease assets capitalised.

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

For each class of finance lease liability, the net carrying amount at the reporting date:

Description of leased item	Effective Interest	Lease Term	Maturity Date		
Finance lease liability	10.50%	5	2021/10/31	1 132 754	1 539 768
Finance lease liability	11 to 25%	5	2019/12/31	525 387	610 150
315SJ 4X4 Loader	Prime + 1%	7	2019/02/01	-	80 709
CS533E XL Compactor	Prime + 1%	7	2019/06/01	-	104 337
Nissan 12 4X2N	Prime + 1%	7	2019/02/01	-	160 699
Smartmeters	28 to 35%	5	2023/04/30	104 187	111 180
				1 762 328	2 606 842

The depreciation and the finance charge relating to the leased asset was included as part of the total depreciation and finance charges respectively. Please refer to note 2 and note 33

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

		2019 R	2018 R
16	EMPLOYEE BENEFITS		
	Post Retirement Benefits	16.1 8 461 278	8 548 748
	Ex-Gratia Pension Provisions	755 696	902 993
	Long Service Awards	16.3 3 588 541	3 794 075
	Total Non-current Employee Benefit Liabilities	12 805 515	13 245 816
		2019 R	2018 R
	<u>Post Retirement Benefits</u>		
	Balance 1 July	8 932 540	6 710 100
	Contribution for the year	(383 792)	(327 000)
	Expenditure for the year	1 285 452	1 081 000
	Actuarial Loss/(Gain)	(1 062 778)	1 468 440
	Total post retirement benefits 30 June	8 771 422	8 932 540
	Less: Transfer of Current Portion	19 (310 144)	(383 792)
	Balance 30 June	8 461 278	8 548 748
	<u>Ex-Gratia Pensions</u>		
	Balance 1 July	904 093	1 082 000
	Contribution for the year	(20 231)	(1 000)
	Expenditure for the year	77 932	98 508
	Actuarial Loss/(Gain)	(186 117)	(275 415)
	Total provision 30 June	775 677	904 093
	Less Transfer of Current Portion	19 (19 981)	(1 100)
	Balance 30 June	755 696	902 993
	<u>Long Service Awards</u>		
	Balance 1 July	4 329 890	4 690 000
	Contribution for the year	(477 344)	(456 980)
	Expenditure for the year	685 673	817 000
	Actuarial Loss/(Gain)	(435 985)	(720 130)
	Total long service 30 June	4 102 234	4 329 890
	Less: Transfer of Current Portion	19 (513 693)	(535 815)
	Balance 30 June	3 588 541	3 794 075
	<u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>		
	Balance 1 July	14 166 523	12 482 100
	Contribution for the year	(881 367)	(784 980)
	Expenditure for the year	2 049 057	1 996 508
	Actuarial Loss/(Gain)	(1 684 880)	472 895
	Total employee benefits 30 June	13 649 333	14 166 523
	Less: Transfer of Current Portion	19 (843 818)	(920 707)
	Balance 30 June	12 805 515	13 245 816

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

16 EMPLOYEE BENEFITS (CONTINUED)

16.1 Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

	2019 Number of members	2018 Number of members
In-service (employee) members	138	153
Continuation members (e.g. Retirees, widows, orphans)	8	9
Total Members	146	162

The liability in respect of past service has been estimated to be as follows:

	R	R
In-service members	5 433 331	5 664 765
Continuation members	3 338 091	3 267 775
Total Liability	8 771 422	8 932 540

	2017 R	2016 R	2015 R
In-service members	4 636 100	5 558 173	-
Continuation members	2 074 000	2 050 439	-
Total Liability	6 710 100	7 608 612	-

Experience adjustments were calculated as follows:

	Rm	Rm
Liabilities: (Gain) / loss	(0.479)	(0.123)
Assets: Gain / (loss)	-	-

The experience adjustments in respect of periods commencing prior to the comparative year has been estimated as follows:

	2017 Rm	2016 Rm	2015 Rm
Liabilities: (Gain) / loss	-	(0.757)	0.011
Assets: Gain / (loss)	-	-	-

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

	Keyhealth	Samwumed
Bonitas		
LA Health	Hosmed	Fedhealth

The Municipality's Accrued Unfunded Liability at 30 June 2019 is estimated at R8,771 million. The Current-service Cost for the year ending 30 June 2019 is estimated at R448 553. It is estimated to be R461 487 for the ensuing year.

Key actuarial assumptions used:

	2019 %	2018 %
i) Rate of interest		
Discount rate	9.41%	9.57%
Health Care Cost Inflation Rate	6.87%	7.39%
Net Effective Discount Rate	2.38%	2.03%
ii) Mortality rates		

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

It has been assumed that in-service members will retire at average retirement age of 62, which then implicitly allows for expected rates of early and ill-health retirement.

iv) Expected rate of salary increases

2019/2020 - CPI + 1,5%
2020/2021 - CPI + 1,25%

The three-year Salary and Wage Collective Agreement ends on 30 June 2021.

	2019 R	2018 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	8 771 422	8 932 540
Net liability/(asset)	8 771 422	8 932 540

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

16

EMPLOYEE BENEFITS (CONTINUED)

2019
R

2018
R

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	8 932 540	6 710 100
Total expenses	901 660	754 000
Current service cost	448 553	404 000
Interest Cost	836 899	677 000
Benefits Paid	(383 792)	(327 000)
Actuarial (gains)/losses	(1 062 778)	1 468 440
Present value of fund obligation at the end of the year	8 771 422	8 932 540
Less: Transfer of Current Portion	19 (310 144)	(383 792)
Balance 30 June	8 461 278	8 548 748

Sensitivity Analysis on the Accrued Liability

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions		5.433	3.338	8.771	
Health care inflation	1%	6.462	3.654	10.116	15%
Health care inflation	-1%	4.605	3.064	7.669	-13%
Discount Rate	1%	4.629	3.072	7.701	-12%
Discount Rate	-1%	6.446	3.649	10.095	15%
Post-retirement mortality	-1 year	5.619	3.468	9.087	4%
Average retirement age	-1 year	6.052	3.338	9.390	7%
Continuation of membership at retirement	-10%	3.880	3.338	7.218	-18%

Sensitivity Analysis on the Current Service Cost and Interest Costs

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption		448 600	836 900	1 285 500	
Health care inflation	1%	543 900	960 700	1 504 600	17%
Health care inflation	-1%	372 400	734 300	1 106 700	-14%
Discount Rate	1%	377 800	814 000	1 191 800	-7%
Discount Rate	-1%	537 800	859 000	1 396 800	9%
Post-retirement mortality	-1 year	465 700	871 300	1 337 000	4%
Average retirement age	-1 year	511 500	895 100	1 406 600	9%
Continuation of membership at retirement	-10%	318 400	699 700	1 018 100	-21%

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

16 EMPLOYEE BENEFITS (CONTINUED)

**2019
R** **2018
R**

16.2 Ex-Gratia Pensions

GRAP 25 defines the determination of the Discount rate assumption to be used as follows: "The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

There are 5 employees that are currently entitled to ex-gratia benefits.

Experience adjustments were calculated as follows:

**2019
R** **2018
R**

Liabilities: (Gain) / loss	(188 577)	(226 304)
Assets: Gain / (loss)	-	-

The experience adjustments in respect of periods commencing prior to the comparative year has been estimated as follows:

**2017
R** **2016
R** **2015
R**

Liabilities: (Gain) / loss	-	(82 692)	26 361
Assets: Gain / (loss)	-	-	-

Key actuarial assumptions used:

**2019
%** **2018
%**

i) Rate of interest

Discount rate	7.95%	9.57%
General Salary inflation rate (long term)	5.29%	7.39%
Net Effective Discount Rate	2.53%	2.03%

**2019
R** **2018
R**

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	775 677	904 093
Net liability/(asset)	775 677	904 093

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (R)	% change
Central assumptions		775 677	
General salary inflation	1%	817 863	5%
General salary inflation	-1%	736 165	-5%
Discount Rate	1%	737 452	-5%
Discount Rate	-1%	817 186	5%
Average retirement age	-1 yr.	793 647	2%

Sensitivity Analysis on the Interest cost

Assumption	Change	Liability (R)	% change
Central assumptions		77 932	
General salary inflation	1%	82 785	6%
General salary inflation	-1%	73 410	-6%
Discount Rate	1%	81 987	5%
Discount Rate	-1%	73 226	-6%
Average retirement age	-1 yr.	79 536	2%

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

16	EMPLOYEE BENEFITS (CONTINUED)	2019	2018
		R	R
16.3	Long Service Bonuses		
	The Long Service Bonus plans are defined benefit plans. As at year end, 136 employees were eligible for Long Service Bonuses.		
	The Current-service Cost for the year ending 30 June 2019 is R337 904. The Current-service Cost for the ensuing year has been estimated to be R305 520.		
	Key actuarial assumptions used:	2019	2018
		%	%
	i) Rate of interest		
	Discount rate	7.99%	8.55%
	General Salary Inflation (long-term)	5.46%	6.17%
	Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.40%	2.24%
	Experience adjustments were calculated as follows:	2019	2018
		R	R
	Liabilities: (Gain) / loss	(11 002)	(517 020)
	Assets: Gain / (loss)	-	-
	The experience adjustments in respect of periods commencing prior to the comparative year has been estimated as follows:		
		2017	2016
		R	R
	Liabilities: (Gain) / loss	-	766 014
	Assets: Gain / (loss)	-	-
	The amounts recognised in the Statement of Financial Position are as follows:		
	Present value of fund obligations	4 102 234	4 329 890
	Net liability/(asset)	4 102 234	4 329 890
	The liability in respect of periods commencing prior to the comparative year has been estimated as follows:		
		2017	2016
		R	R
	Total Liability	4 690 000	4 760 656
		2019	2018
		R	R
	Reconciliation of present value of fund obligation:		
	Present value of fund obligation at the beginning of the year	4 329 890	4 690 000
	Total expenses	208 329	360 020
	Current service cost	337 904	344 000
	Interest Cost	347 769	473 000
	Benefits Paid	(477 344)	(456 980)
	Actuarial (gains)/losses	(435 985)	(720 130)
	Present value of fund obligation at the end of the year	4 102 234	4 329 890
	Less: Transfer of Current Portion	19 (513 693)	(535 815)
	Balance as at 30 June	3 588 541	3 794 075

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm)	% change
Central assumptions		4.102	
General salary inflation	1%	4.341	6%
General salary inflation	-1%	3.883	-5%
Discount Rate	1%	3.875	-6%
Discount Rate	-1%	4.354	6%
Average retirement age	-2 yrs.	3.464	-16%
Average retirement age	2 yrs	4.721	15%
Withdrawal rates	-50%	4.505	10%

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

16	EMPLOYEE BENEFITS (CONTINUED)	2019	2018
16.4	Retirement funds	R	R
<p>The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.</p> <p>As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.</p> <p>Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.</p>			
<u>CAPE JOINT PENSION FUND</u>			
<p>The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2018 revealed that the fund is in an sound financial position with a funding level of 103.7% (30 June 2017 - 101.7%).</p>			
Contributions paid recognised in the Statement of Financial Performance		2 161 074	2 053 607
<u>MUNICIPAL WORKERS RETIREMENT FUND</u>			
<p>The contribution rate payable is 9% by members and 18% by Council. The contribution rate paid by the members is sufficient to fund the benefits accruing from the fund in the future</p>			
Contributions paid recognised in the Statement of Financial Performance		2 137 389	2 304 438
<u>SALA PENSION FUND</u>			
<p>The contribution rate payable is 8.6% by members and 20.78% by Council. The contribution rate paid by the members is sufficient to fund the benefits accruing from the fund in the future</p>			
Contributions paid recognised in the Statement of Financial Performance		165 877	33 062

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

17	NON-CURRENT PROVISIONS	2019	2018
		R	R
	Provision for Rehabilitation of Landfill-sites	18 744 289	18 035 640
	Total Non-current Provisions	18 744 289	18 035 640
	<u>Landfill Sites</u>		
	Balance 1 July	21 906 074	7 389 056
	(Decrease) / Increase in Estimate	(592 529)	14 058 947
	Unwinding of discounted interest	1 347 374	458 071
	Total provision 30 June	22 660 918	21 906 074
	Less: Transfer of Current Portion to Current Provisions	20 (3 916 629)	(3 870 434)
	Balance 30 June	18 744 289	18 035 640

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows

	Marydale	Niekerkshoop	Prieska
Area (m ²)	4 862	8 147	22 669
Preliminary and general (Rand)	295 781	486 556	1 206 357
Site Clearance (Rand)	14 975	25 093	69 821
Storm water control measures (Rand)	498 197	611 275	1 407 964
Capping (Rand)	1 423 576	2 603 290	6 620 842
Gas Management (Rand)	10 301	20 602	51 505
Leachate Management (Rand)	155 338	204 810	456 368
Fencing (Rand)	10 333	10 333	10 333
Other costs	1 508 129	1 821 801	3 137 341

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

<u>Location</u>	<u>Estimated decommission date</u>	<u>Cost of rehabilitation</u>	
		2019	2018
		R	R
Prieska	2029	12 960 530	12 426 407
Marydale	2019	3 916 629	3 870 434
Niekerkshoop	2037	5 783 759	5 609 233
		22 660 918	21 906 074

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

18	CONSUMER DEPOSITS	2019 R	2018 R
	Electricity	826 584	776 215
	Total Consumer Deposits	826 584	776 215

The fair value of consumer deposits approximate their carrying value. No discounting of consumer deposits is being performed due to the uncertainty of the timing of future repayments. Interest is not paid on these amounts.

19	CURRENT EMPLOYEE BENEFITS	2019 R	2018 R
	Current Portion of Post Retirement Benefits	16 310 144	383 792
	Current Portion of Ex-Gratia Pension Provisions	16 19 981	1 100
	Current Portion of Long-Service Awards	16 513 693	535 815
	Bonuses	1 173 672	1 133 134
	Staff Leave	3 263 925	2 992 849
	Total Current Employee Benefits	5 281 415	5 046 690

The movement in current employee benefits are reconciled as follows:

Bonuses

Balance at beginning of year	1 133 134	1 169 309
Contribution to current portion	2 226 733	2 137 372
Expenditure incurred	-2 186 195	-2 173 546
Balance at end of year	1 173 672	1 133 134

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle, that will only be paid out in the following year. There is no possibility of reimbursement.

Staff Leave

Balance at beginning of year	2 992 849	2 891 783
Contribution to current portion	456 944	-222 874
Expenditure incurred	-185 868	323 940
Balance at end of year	3 263 925	2 992 849

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave.

20	PROVISIONS	2019 R	2018 R
	Current Portion of Rehabilitation of Landfill-sites	17 3 916 629	3 870 434
	Total Provisions	3 916 629	3 870 434

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

21	PAYABLES FROM EXCHANGE TRANSACTIONS	2019 R	2018 R
	Trade Payables	69 880 462	49 640 105
	Balance previously reported		58 376 789
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial Performance - General Expenses - Meter management fees (Correction of Meter management fees on smartmeters for June 2018)	38.08 -	9 285
	Correction of Payables from exchange transactions - Trade payables against VAT Payable from Exchange-transactions - VAT input in suspense (Correction of Meter management fees on smartmeters for June 2018)	38.08 -	1 393
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial Performance - Bulk Purchases - Water (Correction of Bulk purchases not recorded in 2017/18)	38.08 -	466 861
	Correction of Payables from exchange transactions - Trade payables against VAT Payable from Exchange-transactions - VAT input in suspense (Correction of Bulk purchases not recorded in 2017/18)	38.08 -	67 580
	Correction of Payables from exchange transactions - Trade payables against Trade and Other Receivables from exchange transactions - Other Debtors (Correction of Bulk purchases not recorded correctly)	38.08 -	-9 451
	Correction of Payables from exchange transactions - Trade payables against Accumulated Surplus (Correction of SALGA creditor as at 1 July 2017)	38.08 -	-439 676
	Correction of Payables from exchange transactions - Trade payables against VAT Payable from Exchange-transactions - VAT input in suspense (Correction of SALGA creditor as at 1 July 2017)	38.08 -	-65 902
	Correction of Payables from exchange transactions - Trade payables against Accumulated Surplus (Correction of EMC electrical creditor as at 1 July 2017)	38.08 -	-315 488
	Correction of Payables from exchange transactions - Trade payables against VAT Payable from Exchange-transactions - VAT input in suspense (Correction of EMC Electrical creditor as at 1 July 2017)	38.08 -	-47 323
	Correction of Payables from exchange transactions - Trade payables against Accumulated Surplus (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	38.08 -	-8 241 632
	Correction of Payables from exchange transactions - Trade payables against VAT Payable from Exchange-transactions - VAT input in suspense (Correction of Trade payables as per 2018 payables recon for the period 2017/18 - VAT portion)	38.08 -	-1 935 805
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - Repairs and Maintenance - Other Expenditure (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	38.08 -	-129 173
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - Repairs and Maintenance - Other Materials (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	38.08 -	-11 480
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - General Expenses - other expenses (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	38.08 -	-19 615
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - Finance charges - Payables and Creditors (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	38.08 -	2 193 932
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - Contracted Services - Contractors (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	38.08 -	8 698
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - General Expenses - Advertising (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	38.08 -	12 804
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - Bulk Purchases - Electricity (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	38.08 -	-202 565
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - General Expenses - Fuel & Oil (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	38.08 -	-284
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - Interest Earned - External Investments (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	38.08 -	-108
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - General Expenses - IT Expenses (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	38.08 -	7 516
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - General Expenses - Tavel Local (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	38.08 -	8 000
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - Contracted Services - Professional and consultants (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	38.08 -	-113 246
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - General Expenses - Telephone and Fax (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	38.08 -	18 996

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

		2019 R	2018 R
21	PAYABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)		
	Receivables with credit balances	878 609	2 354 361
	Payments received in advance	-	82 827
	Deposits Received	3 000	3 000
	Creditors Payments in Advance	599	599
	Unused Pre-paid Electricity	78 811	68 926
	Unknown Deposits	115 356	827 747
	Balance previously reported		856 115
	Correction of Trade and other receivables from exchange transactions - Other Debtors against Payables from Exchange Transactions - Unknown Deposits (Correction Smartmetering receipts for 2017/18)	38.08	-28 368
	Salary Control Account	3 236 473	3 536 793
	Balance previously reported		3 543 897
	Correction of Payables from Exchange Transactions - Salary Control Account against - Statement of Financial Performance - General Expenses - Insurance (Correction of allocation of staff insurance deductions for 2017/18)	38.08	-6 177
	Correction of Payables from Exchange Transactions - Salary Control Account against Vat Payable from Exchange Transactions - VAT Receivable (Correction of allocation of staff insurance deductions for 2017/18)	38.08	-927
	Traffic Control	7 710 084	5 726 637
	Total Trade Payables	81 903 395	62 240 995

No payables are secured.

Payables are being recognised net of any discounts.

Payables are not all being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary

		2019 R	2018 R
22	UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS		
	Unspent Grants	22 933 606	-
	National and Provincial Government Grants	22 933 606	-
	Other Sources	-	-
	Less: Unpaid Grants	-	-
	National and Provincial Government Grants	-	-
	Other Sources	-	-
	Total Conditional Grants and Receipts	22 933 606	-

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

Library Project

Provincial Department - Library maintenance and Expenses

Financial Management Grant

National Treasury - Financial Management

WSIG

National Treasury - Infrastructure development

Municipal Infrastructure Grant

National Treasury - Municipal Infrastructure Improvement

Kgotso Pula Nala

Provincial Department - VIP toilets and Other assets

Expanded Public Works Programme

National Treasury - Road Maintenance

INEG

National Treasury - Infrastructure development

RBIG

National Treasury - Infrastructure development

COGSTA

Provincial Department - Infrastructure development

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
23 PROPERTY RATES		
<u>Actual</u>		
Rateable Land and Buildings	23 089 499	15 018 647
Residential	14 283 553	10 085 538
State	3 511 511	2 332 645
Agricultural	5 294 435	2 600 463
Less: Rebates	-10 509 604	-2 478 380
Total Assessment Rates	12 579 895	12 540 267
<u>Valuations - 1 July 2018</u>		
Rateable Land and Buildings	6 118 043 500	2 812 172 340
Residential	500 252 300	279 956 000
Commercial	223 585 000	102 503 000
Government	127 361 500	50 062 000
Solar Farms	12 303 000	-
Agriculture	5 071 545 500	2 311 403 340
Exempt Municipal and other	182 968 700	68 248 000
Public Service Infrastructure	27 500	-
Less: Income Forgone		
Total Assessment Rates	6 118 043 500	2 812 172 340

Valuations on land and buildings must be performed every four years. The last valuation came into effect on 1 July 2018.

Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions.

An general rate is applied to property valuations to determine property rates;

This is annually published on the municipalities notice board in term of the MFMA

A Rebate of R15,000.00 to the valuation of property was allowed on residential properties and a further discount of (30%), whilst a discount of (55%) on farms, public infrastructure and commercial and industrial and a further rebate of R4,500 is provided to approved applicants (pensioners).

Rates are levied monthly on property owners and are payable the 15th of each month. Property owners can request that the full amount for the year be raised in July, in which case the amount has to be paid by 30 September. Interest is levied at a rate determined by council on outstanding amounts.

Rates are levied monthly and annually and are payable after due dates. Interest is levied at the prime rate plus 1% on outstanding amounts after due dates

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

24

GOVERNMENT GRANTS AND SUBSIDIES

	2019 R	2018 R
Unconditional Grants	29 448 000	27 526 000
Equitable Share	24.1 29 448 000	27 526 000
Conditional Grants	37 079 113	26 293 682
Library Project	1 090 000	1 458 882
Local Government Financial Management Grant	2 415 000	2 345 000
Municipal Infrastructure Grant	12 534 987	15 920 000
EPWP	1 000 000	1 000 000
Regional Bulk Infrastructure Grant	7 183 719	-
Integrated National Electrification Grant	1 100 000	2 500 000
Water Services Infrastructure Grant	1 757 608	-
Cogsta	7 997 800	-
Kgotso Pula Nala	2 000 000	3 069 800
Total Government Grants and Subsidies	66 527 113	53 819 682
Government Grants and Subsidies - Capital	31 219 113	18 420 621
Municipal Infrastructure Grant	12 534 987	15 920 000
Integrated National Electrification Grant	1 100 000	2 500 000
Library Project	-	620
Regional Bulk Infrastructure Grant	7 183 719	-
Water Services Infrastructure Grant	1 757 608	-
Kgotso Pula Nala	645 000	-
Cogsta	7 997 800	-
Government Grants and Subsidies - Operating	35 308 000	35 399 062
Equitable Share	29 448 000	27 526 000
Library Project	1 090 000	1 458 262
Local Government Financial Management Grant	2 415 000	2 345 000
EPWP	1 000 000	1 000 000
Kgotso Pula Nala	1 355 000	-
Provincial Treasury AFS Grant	-	3 069 800
	66 527 113	53 819 683
Grant spending per vote:		
Executive & Council	883 440	825 780
Budget & Treasury	18 611 400	20 554 100
Community & Social Services	1 090 000	1 458 883
Road Transport	9 506 204	16 920 000
Electricity	3 750 320	4 977 340
Water	21 485 770	3 303 120
Waste Water Management	8 844 139	3 578 380
Waste Management	2 355 840	2 202 080
	66 527 113	53 819 683

Conditions were complied with during the year.

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

24	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)	2019 R	2018 R
24.1	Equitable share		
	Opening balance	-	-
	Grants received	29 448 000	27 526 000
	Conditions met - Operating	(29 448 000)	(27 526 000)
	Conditions met - Capital	-	-
	Conditions still to be met	<u>-</u>	<u>-</u>
	In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive 6kl free water and 50kwh free electricity per month, which is funded from this grant.		
24.2	Local Government Financial Management Grant (FMG)		
	Opening balance	-	-
	Grants received	2 415 000	2 345 000
	Conditions met - Operating	(2 415 000)	(2 345 000)
	Conditions met - Capital	-	-
	Conditions still to be met	<u>-</u>	<u>-</u>
	The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).		
24.3	Municipal Infrastructure Grant (MIG)		
	Opening balance	-	-
	Grants received	29 724 000	15 920 000
	Transfer to Equitable Share due to roll over not approved on MIG	-	-
	Conditions met - Operating	-	-
	Conditions met - Capital	(12 534 987)	(15 920 000)
	Grant expenditure to be recovered	<u>17 189 013</u>	<u>-</u>
	The grant was used to upgrade infrastructure in previously disadvantaged areas.		
24.4	Expanded Public Works Program (EPWP)		
	Opening balance	-	-
	Grants received	1 000 000	1 000 000
	Conditions met - Operating	(1 000 000)	(1 000 000)
	Conditions met - Capital	-	-
	Grant expenditure to be recovered	<u>-</u>	<u>-</u>
	The grant was used for road maintenance in the Siyathemba area.		
24.5	Library Grants		
	Opening balance	-	168 882
	Grants received	1 090 000	1 290 000
	Conditions met - Operating	(1 090 000)	(1 458 262)
	Conditions met - Capital	-	(620)
	Grant expenditure to be recovered	<u>-</u>	<u>-</u>
	Library grants was utilised for the development of libraries in the Siyathemba area.		
24.6	Water Services Infrastructure Grant (WSIG)		
	Opening balance	-	-
	Grants received	7 500 000	-
	Conditions met - Operating	-	-
	Conditions met - Capital	(1 757 608)	-
	Grant expenditure to be recovered	<u>5 742 392</u>	<u>-</u>
	The Water Services Infrastructure Grant was used for the upgrading of the bulk water services within the Siyathemba areas.		

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

24	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)	2019	2018
		R	R
24.7	Integrated National Electrification Grant (INEG)		
	Opening balance	-	-
	Grants received	1 100 000	2 500 000
	Conditions met - Operating	-	-
	Conditions met - Capital	(1 100 000)	(2 500 000)
	Conditions still to be met	<u>-</u>	<u>-</u>
	The National Electrification Grant was used for electrical connections in previously disadvantaged areas.		
24.8	Regional Bulk Infrastructure Grant (RBIG)		
	Opening balance	-	-
	Grants received	7 183 719	-
	Conditions met - Operating	-	-
	Conditions met - Capital	(7 183 719)	-
	Grant expenditure to be recovered	<u>-</u>	<u>-</u>
	The Regional Bulk Infrastructure Grant was used for the upgrading of the bulk water services within the Siyathemba areas.		
24.9	Other Grants		
	Opening balance	-	-
	Grants received	10 000 000	3 069 800
	Conditions met - Operating	(1 355 000)	(3 069 800)
	Conditions met - Capital	(8 642 800)	-
	Conditions still to be met	<u>2 200</u>	<u>-</u>
	Various grants were received from other spheres of government		
25.0	Total Grants		
	Opening balance	-	168 882
	Grants received	89 460 719	53 650 800
	Transfers	-	-
	Conditions met - Operating	(35 308 000)	(35 399 062)
	Conditions met - Capital	(31 219 113)	(18 420 620)
	Conditions still to be met/(Grant expenditure to be recovered)	<u>22 933 606</u>	<u>-</u>
	Disclosed as follows:		
	Unspent Conditional Government Grants and Receipts	22 933 606	-
	Unpaid Conditional Government Grants and Receipts	<u>-</u>	<u>-</u>
		<u>22 933 606</u>	<u>-</u>
		2019	2018
		R	R
25	PUBLIC CONTRIBUTIONS AND DONATIONS		
	Public Contributions - Conditional	-	-
	Public Contributions - Unconditional	-	-
	Donations	765 039	8 200 742
	National Treasury - AGSA	664 778	8 200 742
	Pixley District Municipality	45 000	-
	Mayoral Tournament	55 261	-
	Total Public Contributions and Donations	<u>765 039</u>	<u>8 200 742</u>

Donations received is due to financial assistance received from National Treasury with regards to the Auditor General's prior period audit fees and outstanding interest - Amounting to R664 778.05.

R45 000 was received from Pixley District Municipality for funding an outreach programme in the form of a career day.

R55 260.81 was received during the year from various donors for the Mayoral tournament held during the financial year

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

26	SERVICE CHARGES	2019 R	2018 R
	Electricity	18 231 600	17 178 672
	Service Charges	19 708 193	18 725 870
	<u>Less:</u> Revenue Forgone	(1 476 593)	(1 547 198)
	Water	11 904 091	11 621 215
	Service Charges	15 009 054	14 648 146
	<u>Less:</u> Revenue Forgone	(3 104 962)	(3 026 931)
	Refuse removal	1 871 949	1 662 016
	Service Charges	3 907 121	3 711 630
	<u>Less:</u> Revenue Forgone	(2 035 172)	(2 049 614)
	Sewerage and Sanitation Charges	4 547 222	4 054 203
	Service Charges	9 257 096	8 825 342
	<u>Less:</u> Revenue Forgone	(4 709 874)	(4 771 140)
	Other Service Charges	-	-
	Total Service Charges	36 554 862	34 516 106

Revenue Foregone can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

27	OTHER REVENUE	2019 R	2018 R
	Administration Fees	93 000	73 999
	Building Plan Fees	15 359	19 623
	Charges for Installation	21 325	53 197
	Charges for Re-Installation	1 373	9 642
	Garden Refuse and Garbage	56 105	66 503
	Other Revenue	38 466	62 782
	Tombfees	48 628	43 003
	Valuation Certificate	39 146	32 066
	Landfill Site	191 862	-
	Sale of Land	-	-
	Total Other Income	505 264	360 815

Sundry income represents sundry income such as building plans, sale of sundry items (wood, sand and stones) an fees for items not included under service charges (camping, fire brigade and impounding fees)

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

28 EMPLOYEE RELATED COSTS	2019 R	2018 R
Basic	28 926 856	29 021 142
Balance previously reported		26 566 146
Correction of General Expenses - Grant Expenditure against Statement of Financial performance - Employee Related Costs - Salaries (Reclassification of vote 0421/4367/0000 from General expenses	38.10 -	422 356
Correction of Statement of Financial Performance - Employee related costs - Basic against Repairs and Maintenance - Other Expenditure (Due to reclassification of vote 0421/4385/0000 , correction of allocation of expenditure within the vote for 2017/18)	38.10 -	1 886 124
Correction of Statement of Financial Performance - Employee related costs - Basic against Contracted Services - Professional and Consultants (Due to reclassification of vote 0203/4351/0000 , correction of allocation of expenditure within the vote for 2017/18)	38.10 -	146 515
Bonus	2 226 733	2 073 372
Medical Aid - Company Contributions	895 843	788 513
SDL and UIF	607 198	707 412
Leave pay Provision charge	456 944	323 940
Travel, motor car, accommodation, subsistence and other allowances	742 667	864 719
Overtime payments	2 683 191	2 331 307
Acting Allowances	270 438	172 876
Housing Benefits and Allowances	101 409	345 674
Contribution Pensions funds	4 464 340	4 357 478
Industrial Council	15 960	17 687
Telephone/ Cell - Allowances	16 896	16 896
Other Allowances	759 770	741 356
Contribution to provision - Long Service Awards	16 337 904	344 000
Contribution to provision - Post Retirement Medical	16 448 553	404 000
Total Employee Related Costs	42 954 703	42 510 371

	2019 R	2018 R
KEY MANAGEMENT PERSONNEL		

There are no post-employment or termination benefits payable to them at the end of the contract period.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager (IWJ Stadhouer)

Annual Remuneration	802 716	854 000
Travelling Allowance	137 311	113 160
Remote Allowance	103 699	104 539
Contributions to UIF, Medical and Pension Funds	129 801	132 562
Total	1 173 526	1 204 261

Remuneration of the Chief Financial Officer (HH Meiring)

Annual Remuneration	730 634	689 000
Travelling Allowance	78 770	119 597
Remote Allowance	94 176	90 665
Bonus	53 000	-
Contributions to UIF, Medical and Pension Funds	160 185	153 560
Reimbursive Travel	103 915	67 619
Total	1 220 680	1 120 441

Remuneration of the Corporate Manager (J Badenhorst) - (01-07-2017 to 31-01-2018)

Annual Remuneration	-	393 083
Travelling Allowance	-	51 930
Remote Allowance	-	52 888
Contributions to UIF, Medical and Pension Funds	-	85 111
Leave Payout	-	176 305
Total	-	759 317

Remuneration of the Technical Service Manager (J Basson)

Annual Remuneration	763 501	715 000
Travelling Allowance	72 606	70 451
Remote Allowance	94 176	90 665
Bonus	55 000	-
Contributions to UIF, Medical and Pension Funds	125 415	120 682
Reimbursive Travel	12 361	38 767
Total	1 123 058	1 035 565

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

		2019 R	2018 R
29	REMUNERATION OF COUNCILLORS		
Executive Mayor: (HEM Tsume)	Allowances	755 382	721 690
	Cell phone Allowance	44 400	32 239
	Backpay	19 681	23 563
	Travelling	62 896	100 791
Councillors:	Allowances	2 220 440	2 147 396
	Cell phone Allowance	351 500	251 312
	Backpay	60 231	121 616
	Travelling	28 410	27 051
Total Councillors' Remuneration		3 542 941	3 425 658

	Allowances	Cell phone Allowance	Backpay	Travelling
Year ended 30 JUNE 2019				
Councillors	2 220 440	351 500	60 231	28 410
S Saaiman	40 880	7 400	-	-
PW Saaiman	306 766	44 400	8 073	-
TJ Yawa	306 766	44 400	8 073	-
E Adams	305 766	44 400	9 073	1 804
A Roberts	168 748	33 300	6 289	-
W Pelster	238 991	44 400	6 289	-
GP Mackay	238 991	44 400	6 289	-
G Maritz	306 766	44 400	8 073	24 002
GA Speelman	306 766	44 400	8 073	2 603
				-
Year ended 30 JUNE 2018				
Councillors	2 147 396	251 312	121 616	27 051
DA George	49 947	4 239	3 126	-
PW Saaiman	302 353	32 239	20 548	5 723
TJ Yawa	302 353	32 239	20 548	14 222
E Adams	302 353	32 239	20 548	-
A Roberts	238 233	32 239	8 900	-
W Pelster	238 233	32 239	8 900	-
GP Mackay	238 233	32 239	8 900	-
G Maritz	173 339	21 400	9 598	7 106
GA Speelman	302 353	32 239	20 548	-

In-kind Benefits

The Mayor is full-time. He is provided with an office and secretarial support at the cost of the Council.

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

		2019 R	2018 R
30	BAD DEBTS WRITTEN OFF		
	Trade Receivables from exchange transactions	9 381 927	260 570
	Trade Receivables from non-exchange transactions	10 -	-
	Less: VAT	13 (49 817)	(32 000)
	Total Bad Debts written off	332 110	228 570

		2019 R	2018 R
31	DEBT IMPAIRMENT / (REVERSAL)		
	Long term Receivables	7 12 469	1 010
	Trade Receivables from exchange transactions	9 9 346 277	9 236 551
	Trade Receivables from non-exchange transactions	10 4 282 156	2 977 044
	Less: VAT Debt Impairment Provision	13 (1 219 080)	(1 500 593)
	Total Contribution to Impairment Provision	12 421 822	10 714 011

		2019 R	2018 R
32	IMPAIRMENTS		
	Property, Plant and Equipment	4 882	137 127
	Balance previously reported	-	176 146
	Correction of Property, plant and Equipment - Infrastructure Accumulated Impairment against Statement of Financial Performance - Asset Impairment (Correction of Impairment charge for 2017/18 as per amended 2018 FAR)	38.10 -	1 393
	Correction of Property, plant and Equipment - Other Assets against Statement of Financial Performance - Asset Impairment (Disposal of assets incorrectly captured on the FAR impairment charge reversal for 2017/18)	38.10 -	(170)
	Correction of Property, plant and Equipment - Community Assets against Statement of Financial Performance - Asset Impairment (Restatement of Community Assets - Take on date correction of Impairment charge)	38.10 -	(33 936)
	Correction of Property, plant and Equipment - Land and Buildings against Statement of Financial Performance - Asset Impairment (Restatement of Land and Buildings - Take on date correction of Impairment charge)	38.10 -	(6 306)
	<i>During the annual asset verification it was determined that certain movable assets and structures are to be impairment as they are broken and cannot be used. The recoverable amount (or recoverable service amount) of the asset was based on its fair value less costs to sell or (its value in use).</i>		
	Capitalised Restoration cost	10 074	14 822
	Total Impairment Loss/ (Reversal of Impairment Loss)	14 956	151 949

Value in use

During the annual asset count and asset inspection various infrastructure, buildings, other assets and community assets were identified as obsolete or damaged. Various impairment charges amounting to R154 335 was processed for 2017/18.

		2019 R	2018 R
33	FINANCE CHARGES		
	Payables & Creditors	4 913 893	3 892 967
	Balance previously reported	-	1 699 035
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - Finance charges - Payables and Creditors (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	38.10 -	2 193 932
	Actuarial Interest	1 262 600	1 248 508
	Finance leases	314 823	384 285
	Balance previously reported	-	376 647
	Correction of Long-term liabilities - capitalised lease liability against Statement of Financial Performance - Finance charges - Long term liabilities (Capturing finance charges as per amortisation tables for smartmeters during 2017/18)	38.10 -	7 637
	Landfill Sites	1 347 374	458 071
	Total finance charges	7 838 689	5 983 831

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

		2019	2018
		R	R
34	BULK PURCHASES		
	Electricity	18 979 038	17 597 845
	Balance previously reported		17 800 410
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - Bulk Purchases - Electricity (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	38.10	(202 565)
	Water	499 653	399 033
	Balance previously reported		108 542
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial Performance - Bulk Purchases - Water (Correction of Bulk purchases not recorded in 2017/18)	38.10	290 491
	Purchases	803 016	641 304
	Less Stock Adjustments	(303 363)	(242 272)
	Stock adjustments	303 363	242 272
	Balance previously reported		65 901
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial Performance - Bulk Purchases - Water (Correction of Bulk purchases not recorded in 2017/18)	38.10	176 371
	Total Bulk Purchases	19 782 054	18 239 150
		2019	2018
		R	R
35	CONTRACTED SERVICES		
	Outsourced Services	-	-
	Consultants and Professional Services	9 034 251	9 536 385
	Balance previously reported		8 073 759
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - Contracted Services - Professional and consultants (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	38.10	-113 246
	Correction of General Expenses - Grant Expenditure against Statement of Financial performance - Contracted Services - Professional and consultants (Reclassification of vote 0203/4351/0000 from General expenses to Contracted Services for 2017/18)	38.10	1 722 388
	Correction of Statement of Financial Performance - Employee related costs - Basic against Contracted Services - Professional and Consultants (Due to reclassification of vote 0203/4351/0000 , correction of allocation of expenditure within the vote for 2017/18)	38.10	-146 515
	Contractors	566 305	73 234
	Balance previously reported		64 537
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - Contracted Services - Contractors (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	38.10	8 698
	Total Contracted Services	9 600 556	9 609 620

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

36	DEPRECIATION AND AMORTISATION	2019 R	2018 R
	Property, Plant and Equipment	25 299 438	25 357 944
	Balance previously reported	-	30 733 395
	Correction of PPE against Statement of Financial Performance - Depreciation and Amortisation - Property, plant and equipment (Correction of smartmeters depreciation charge for 2017/18)	38.10 -	1 846
	Correction of Property, plant and Equipment - Infrastructure Accumulated Depreciation against Statement of Financial Performance - Depreciation and Amortisation (Correction of Depreciation charge for 2017/18 as per amended 2018 FAR)	38.10 -	(209 046)
	Correction of Property, plant and Equipment - Other Assets against Statement of Financial Performance - Depreciation and Amortisation (Disposal of assets incorrectly captured on the FAR depreciation charge reversal for 2017/18)	38.10 -	(7 620)
	Correction of Property, plant and Equipment - Other Assets against Statement of Financial Performance - Depreciation and Amortisation (First time recognition of assets captured on the FAR depreciation charge for 2017/18)	38.10 -	8 319
	Correction of Property, plant and Equipment - Community Assets against Statement of Financial Performance - Depreciation and Amortisation - PPE (Restatement of Community Assets - Take on date correction of Depreciation charge)	38.10 -	(3 813 636)
	Correction of Property, plant and Equipment - Land and Buildings against Statement of Financial Performance - Depreciation and Amortisation - PPE (Restatement of Land and Buildings - Take on date correction of Depreciation charge)	38.10 -	(1 355 314)
	Investment Property	19 906	19 906
	Balance previously reported		-
	Correction of Investment Property against Statement of Financial Performance - Depreciation and Amortisation - Investment Property (Capturing Depreciation charge for 2017/18 as Directive 11 is being applied to restate at Cost)	38.10 -	19 906
	Intangible Assets	9 513	7 172
	Capitalised Restoration costs	941 861	4 522 507
	Total finance charges	26 250 811	29 887 623
		2019 R	2018 R
37	GENERAL EXPENSES		
	Advertising	198 342	210 259
	Balance previously reported		197 454
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - General Expenses - Advertising (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	38.10 -	12 804
	Act on Local Government	-	-
	Auditors remuneration	2 405 951	3 389 242
	Bank charges	240 006	243 740
	Balance previously reported		243 516
	Correction of Trade and other receivables from exchange transactions - Other Debtors against Statement of financial performance - General Expenses - Bank charges (Correction Smartmetering bank charges entries for 2017/18)	38.10 -	223
	Connection fee	59 101	-
	Insurance	1 131 280	1 040 536
	Balance previously reported		1 046 713
	Correction of Payables from Exchange Transactions - Salary Control Account against - Statement of Financial Performance - General Expenses - Insurance (Correction of allocation of staff insurance deductions for 2017/18)	38.10 -	(6 177)
	IT expenses	272 836	859 286
	Balance previously reported		851 769
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - General Expenses - IT Expenses (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	38.10 -	7 516

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

37	GENERAL EXPENSES (continued)	2019 R	2018 R
	Fuel and Oil	1 070 351	853 055
	Balance previously reported		853 340
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - General Expenses - Fuel & Oil (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	38.10	(284)
	Licence fees	536 448	-
	Security (Guarding of Municipality)	252 727	204 185
	Telephone and Fax	2 180 432	1 897 609
	Balance previously reported		1 878 614
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - General Expenses - Telephone and Fax (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	38.10	18 996
	Travel - Local	761 968	654 792
	Balance previously reported		646 792
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - General Expenses - Tavel Local (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	38.10	8 000
	Grant expenditure	-	-
	Balance previously reported		4 073 888
	Correction of General Expenses - Grant Expenditure against Statement of Financial performance - Contracted Services - Professional and consultants (Reclassification of vote 0203/4351/0000 from General expenses to Contracted Services for 2017/18)	38.10	(1 722 388)
	Correction of General Expenses - Grant Expenditure against Statement of Financial performance - Employee Related Costs - Salaries (Reclassification of vote 0421/4367/0000 from General expenses to Employee related costs for 2017/18)	38.10	(422 356)
	Correction of General Expenses - Grant Expenditure against Statement of Financial performance - Repairs and Maintenance - Other Expenditure (Reclassification of vote 0421/4385/0000 from General expenses to Repairs and Maintenance for 2017/18)	38.10	(1 929 144)
	Ward committee expenditure	626 900	308 636
	Library Development Expense	63 873	71 167
	VIP toilets construction	1 982 995	-
	Sanitation and Sewerage	13 256	12 490
	Planning and Surveying Costs	132 990	-
	Penalties	546 915	513 101
	Meter Management Fees	81 595	10 326
	Balance previously reported		-
	Correction of Trade and other receivables from exchange transactions - Other Debtors against Statement of financial performance - General Expenses - Meter Management Fees (Correction Smartmetering Meter management fees invoices during for 2017/18)	38.10	9 898
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial Performance - General Expenses - Meter management fees (Correction of Meter management fees on smartmeters for June 2018)	38.10	9 285
	Correction of Long-term liabilities - capitalised lease liability against Statement of Financial Performance - General Expenses - Meter management fees (Re-allocation of meter rental payments during 2017/18)	38.10	(8 857)
	Other Expenses	477 438	594 966
	Balance previously reported		614 582
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - General Expenses - other expenses (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	38.10	(19 615)
	General Expenses	13 035 402	10 863 390

General expenses contains administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial performance. This include items such as telecommunications, travelling, legal fees, auditing fees and consulting fees.

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2018
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38 CORRECTION OF ERROR IN TERMS OF GRAP 3

The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GRAP:

38.01 VAT payable from exchange transactions

Disclosure as required by GRAP 1.

Balance previously reported

(3 818 283)

Correction of Trade and other receivables from exchange transactions - Other Debtors against VAT payable from exchange-transactions - VAT receivable (Correction Smartmetering Meter management fees VAT invoices during for 2017/18)	38.03	-1 485
Correction of Trade and other receivables from exchange transactions - Other Debtors against VAT payable from exchange-transactions - VAT payable (Correction Smartmetering - Prepaid sales during 2017/18 VAT payable)	38.03	9 472
Correction of Payables from exchange transactions - Trade payables against VAT Payable from Exchange-transactions - VAT input in suspense (Correction of Meter management fees on smartmeters for June 2018)	38.08	-1 393
Correction of Payables from exchange transactions - Trade payables against VAT Payable from Exchange-transactions - VAT input in suspense (Correction of Bulk purchases not recorded in 2017/18)	38.08	-67 580
Correction of Payables from exchange transactions - Trade payables against VAT Payable from Exchange-transactions - VAT input in suspense (Correction of SALGA creditor as at 1 July 2017)	38.08	65 902
Correction of Payables from exchange transactions - Trade payables against VAT Payable from Exchange-transactions - VAT input in suspense (Correction of EMC Electrical creditor as at 1 July 2017)	38.08	47 323
Correction of Payables from exchange transactions - Trade payables against VAT Payable from Exchange-transactions - VAT input in suspense (Correction of Trade payables as per 2018 payables recon for the period 2017/18 - VAT portion)	38.08	1 935 805
Correction of Payables from Exchange Transactions - Salary Control Account against Vat Payable from Exchange Transactions - VAT Receivable (Correction of allocation of staff insurance deductions for 2017/18)	38.08	927
Total		(1 829 310)

38.02 Cash and Cash Equivalents

Disclosure as required by GRAP 1.

Balance previously reported

-989 093

Correction of Cash and Cash Equivalents - Primary Bank Account against Accumulated Surplus (Cancelled EFT's from prior period)	38.09	1 137 183
Total		148 090

38.03 Trade and other receivables from exchange transactions

Disclosure as required by GRAP 1.

Balance previously reported

9 228 921

Correction of Trade and other receivables from exchange transactions - Other Debtors against Statement of financial performance - General Expenses - Bank charges (Correction Smartmetering bank charges entries for 2017/18)	38.10	-223
Correction of Trade and other receivables from exchange transactions - Other Debtors against Payables from Exchange Transactions - Unknown Deposits (Correction Smartmetering receipts for 2017/18)	38.08	-28 368
Correction of Trade and other receivables from exchange transactions - Other Debtors against Statement of financial performance - General Expenses - Meter Management Fees (Correction Smartmetering Meter management fees invoices during for 2017/18)	38.10	-9 898
Correction of Trade and other receivables from exchange transactions - Other Debtors against VAT payable from exchange-transactions - VAT receivable (Correction Smartmetering Meter management fees VAT invoices during for 2017/18)	38.01	-1 485
Correction of Trade and other receivables from exchange transactions - Other Debtors against Statement of Financial Performance - Service Charges - Electricity (Correction Smartmetering - Prepaid sales during 2017/18)	38.10	63 148
Correction of Trade and other receivables from exchange transactions - Other Debtors against VAT payable from exchange-transactions - VAT payable (Correction Smartmetering - Prepaid sales during 2017/18 VAT payable)	38.01	9 472
Correction of Payables from exchange transactions - Trade payables against Trade and Other Receivables from exchange transactions - Other Debtors (Correction of Bulk purchases not recorded correctly)	38.08	-9 451
Total		9 252 116

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

		2018 R
CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUED)		
38.04	Trade and other receivables from non-exchange transactions	
	Disclosure as required by GRAP 1.	
	Balance previously reported	5 581 252
	Correction of Trade and other receivables from exchange transactions against Accumulated Surplus (Correction of Property rates billed prior to 1 July 2017)	38.09 -9 072
	Total	5 572 180
		2018 R
38.05	Property, Plant and Equipment	
	Disclosure as required by GRAP 1.	
	Balance previously reported	498 099 405
	Correction of Long-term liabilities - capitalised lease liability against PPE - Leased Assets - Electrical network (Recognition of smartmeters during 2017/18)	38.07 112 399
	Correction of PPE against Statement of Financial Performance - Depreciation and Amortisation - Property, plant and equipment (Correction of smartmeters depreciation charge for 2017/18)	38.10 -1 846
	Correction of Property, plant and Equipment - Infrastructure Cost against Accumulated Surplus (Correction of Opening cost as per corrected 2018 Fixed Asset Register)	38.09 584 997
	Correction of Property, plant and Equipment - Infrastructure Accumulated Depreciation against Accumulated Surplus (Correction of Opening Accumulated Depreciation as per corrected 2018 Fixed Asset Register)	38.09 439 914
	Correction of Property, plant and Equipment - Infrastructure Cost against Accumulated Surplus (Correction of Opening cost - classify land from Infra to Land and Buildings as per corrected 2018 Fixed Asset Register however already included thus move to Surplus)	38.09 -1 597 839
	Correction of Property, plant and Equipment - Infrastructure Accumulated Depreciation against Statement of Financial Performance - Depreciation and Amortisation (Correction of Depreciation charge for 2017/18 as per amended 2018 FAR)	38.10 209 046
	Correction of Property, plant and Equipment - Infrastructure Accumulated Impairment against Statement of Financial Performance - Asset Impairment (Correction of Impairment charge for 2017/18 as per amended 2018 FAR)	38.10 -1 393
	Correction of Property, plant and Equipment - Infrastructure Cost against Statement of Financial Performance - Loss on disposal of PPE (Correction of Cost Disposal of Infra PPE for 2017/18 as per amended 2018 FAR)	38.10 110 565
	Correction of Property, plant and Equipment - Infrastructure Accumulated Depreciation against Statement of Financial Performance - Loss on disposal of PPE (Correction of Accumulated Depreciation Disposal of Infra PPE for 2017/18 as per amended 2018 FAR)	38.10 -50 059
	Correction of Property, plant and Equipment - Leased Assets - Office Equipment - Cost against Property, plant and Equipment - Leased Assets - Office Equipment - Accumulated Depreciation (Correction of opening balances Leased assets 1 July 2017)	38.05 366 298
	Correction of Property, plant and Equipment - Leased Assets - Office Equipment - Cost against Property, plant and Equipment - Leased Assets - Office Equipment - Accumulated Depreciation (Correction of opening balances Leased assets 1 July 2017)	38.05 -366 298
	Correction of Property, plant and Equipment - Other Assets against Accumulated Surplus (Disposal of assets incorrectly captured on the FAR opening balance 1 July 2017 - Cost)	38.09 -110 385
	Correction of Property, plant and Equipment - Other Assets against Accumulated Surplus (Disposal of assets incorrectly captured on the FAR opening balance 1 July 2017 - Accumulated Depreciation)	38.09 53 410
	Correction of Property, plant and Equipment - Other Assets against Accumulated Surplus (Disposal of assets incorrectly captured on the FAR opening balance 1 July 2017 - Accumulated Impairment)	38.09 17 267
	Correction of Property, plant and Equipment - Other Assets against Statement of Financial Performance - Depreciation and Amortisation (Disposal of assets incorrectly captured on the FAR depreciation charge reversal for 2017/18)	38.10 7 620
	Correction of Property, plant and Equipment - Other Assets against Statement of Financial Performance - Asset Impairment (Disposal of assets incorrectly captured on the FAR impairment charge reversal for 2017/18)	38.10 170
	Correction of Property, plant and Equipment - Other Assets against Accumulated Surplus (First time recognition of Other Assets correction on the FAR opening balance 1 July 2017 - Cost)	38.09 128 071

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

38.05 Property, Plant and Equipment (continued)	2018 R
Correction of Property, plant and Equipment - Other Assets against Accumulated Surplus (First time recognition of Other Assets correction on the FAR opening balance 1 July 2017 - Accumulated Depreciation)	38.09 -74 839
Correction of Property, plant and Equipment - Other Assets against Statement of Financial Performance - Depreciation and Amortisation (First time recognition of assets captured on the FAR depreciation charge for 2017/18)	38.10 -8 319
Correction of Property, plant and Equipment - Land & Buildings Accumulated Surplus (Correction of duplicate properties between Land and Buildings and Investment Property)	38.09 -26 380
Correction of Property, plant and Equipment - Community Assets against Accumulated Surplus (Restatement of Community Assets - Take on date correction of Opening balance as per restatement - Cost)	38.09 -150 738 979
Correction of Property, plant and Equipment - Community Assets against Accumulated Surplus (Restatement of Community Assets - Take on date correction of Opening balance as per restatement - Accumulated Depreciation)	38.09 71 902 292
Correction of Property, plant and Equipment - Community Assets against Accumulated Surplus (Restatement of Community Assets - Take on date correction of Opening balance as per restatement - Accumulated Impairment)	38.09 1 534 891
Correction of Property, plant and Equipment - Community Assets against Statement of Financial Performance - Depreciation and Amortisation - PPE (Restatement of Community Assets - Take on date correction of Depreciation charge)	38.10 3 813 636
Correction of Property, plant and Equipment - Community Assets against Statement of Financial Performance - Asset Impairment (Restatement of Community Assets - Take on date correction of Impairment charge)	38.10 33 936
Correction of Property, plant and Equipment - Land and Buildings against Accumulated Surplus (Restatement of Land and Buildings - Take on date correction of Opening balance as per restatement - Cost)	38.09 -1 080 285
Correction of Property, plant and Equipment - Land and Buildings against Accumulated Surplus (Restatement of Land and Buildings - Previously not recognised Land correction of Opening balance as per restatement - Cost)	38.09 1 574 000
Correction of Property, plant and Equipment - Land & Buildings against Accumulated Surplus (Restatement of Land and Buildings - Take on date correction of Opening balance as per restatement - Cost)	38.09 -52 212 395
Correction of Property, plant and Equipment - Land & Buildings against Accumulated Surplus (Restatement of Land and Buildings - Take on date correction of Opening balance as per restatement - Accumulated Depreciation)	38.09 30 441 738
Correction of Property, plant and Equipment - Land & Buildings against Accumulated Surplus (Restatement of Land and Buildings - Take on date correction of Opening balance as per restatement - Accumulated Impairment)	38.09 252 291
Correction of Property, plant and Equipment - Land and Buildings against Statement of Financial Performance - Depreciation and Amortisation - PPE (Restatement of Land and Buildings - Take on date correction of Depreciation charge)	38.10 1 355 314
Correction of Property, plant and Equipment - Land and Buildings against Statement of Financial Performance - Asset Impairment (Restatement of Land and Buildings - Take on date correction of Impairment charge)	38.10 6 306
Total	404 774 549

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

		2018 R
CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUED)		
38.06	Investment Property	
	Disclosure as required by GRAP 1.	
	Balance previously reported	58 751 000
	Correction of Investment Property against Accumulated Surplus (Correction of duplicate properties between Land and Buildings and Investment Property)	38.09 -2 726 449
	Correction of Investment Property against Statement of Financial Performance - Fair value adjustment (Correction of duplicate properties between Land and Buildings and Investment Property- Fair value movement 2017/18)	38.10 -109 058
	Correction of Investment Property against Accumulated Surplus (Reversal of Opening Fair value as Directive 11 is being applied to restate at Cost)	38.09 -53 764 897
	Correction of Investment Property against Statement of Financial Performance - Fair value adjustment (Reversal of Fair value adjustment as Directive 11 is being applied to restate at Cost)	38.10 -2 150 596
	Correction of Investment Property against Accumulated Surplus (Capturing Opening Cost as Directive 11 is being applied to restate at Cost)	38.09 17 287 831
	Correction of Investment Property against Accumulated Surplus (Capturing Opening Accumulated Depreciation as Directive 11 is being applied to restate at Cost)	38.09 -179 150
	Correction of Investment Property against Statement of Financial Performance - Depreciation and Amortisation - Investment Property (Capturing Depreciation charge for 2017/18 as Directive 11 is being applied to restate at Cost)	38.10 -19 906
	Total	<u>17 088 775</u>
38.07	Long term liabilities	
	Disclosure as required by GRAP 1.	
	Balance previously reported	2 495 662
	Correction of Long-term liabilities - capitalised lease liability against PPE - Leased Assets - Electrical network (Recognition of smartmeters during 2017/18)	38.05 112 399
	Correction of Long-term liabilities - capitalised lease liability against Statement of Financial Performance - General Expenses - Meter management fees (Re-allocation of meter rental payments during 2017/18)	38.10 -8 857
	Correction of Long-term liabilities - capitalised lease liability against Statement of Financial Performance - Finance charges - Long term liabilities (Capturing finance charges as per amortisation tables for smartmeters during 2017/18)	38.10 7 637
	Total	<u>2 606 842</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUED)		2018
		R
38.08	Payables from exchange transactions	
	Disclosure as required by GRAP 1.	
	Balance previously reported	71 013 150
	Correction of Trade and other receivables from exchange transactions - Other Debtors against Payables from Exchange Transactions - Unknown Deposits (Correction Smartmetering receipts for 2017/18)	-28 368
38.03		
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial Performance - General Expenses - Meter management fees (Correction of Meter management fees on smartmeters for June 2018)	9 285
38.10		
	Correction of Payables from exchange transactions - Trade payables against VAT Payable from Exchange-transactions - VAT input in suspense (Correction of Meter management fees on smartmeters for June 2018)	1 393
38.01		
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial Performance - Bulk Purchases - Water (Correction of Bulk purchases not recorded in 2017/18)	466 861
38.10		
	Correction of Payables from exchange transactions - Trade payables against VAT Payable from Exchange-transactions - VAT input in suspense (Correction of Bulk purchases not recorded in 2017/18)	67 580
38.01		
	Correction of Payables from exchange transactions - Trade payables against Trade and Other Receivables from exchange transactions - Other Debtors (Correction of Bulk purchases not recorded correctly)	-9 451
38.03		
	Correction of Payables from exchange transactions - Trade payables against Accumulated Surplus (Correction of SALGA creditor as at 1 July 2017)	-439 676
38.09		
	Correction of Payables from exchange transactions - Trade payables against VAT Payable from Exchange-transactions - VAT input in suspense (Correction of SALGA creditor as at 1 July 2017)	-65 902
38.01		
	Correction of Payables from exchange transactions - Trade payables against Accumulated Surplus (Correction of EMC electrical creditor as at 1 July 2017)	-315 488
38.09		
	Correction of Payables from exchange transactions - Trade payables against VAT Payable from Exchange-transactions - VAT input in suspense (Correction of EMC Electrical creditor as at 1 July 2017)	-47 323
38.01		
	Correction of Payables from exchange transactions - Trade payables against Accumulated Surplus (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	-8 241 632
38.09		
	Correction of Payables from exchange transactions - Trade payables against VAT Payable from Exchange-transactions - VAT input in suspense (Correction of Trade payables as per 2018 payables recon for the period 2017/18 - VAT portion)	-1 935 805
38.01		
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - Repairs and Maintenance - Other Expenditure (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	-129 173
38.10		
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - Repairs and Maintenance - Other Materials (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	-11 480
38.10		
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - General Expenses - other expenses (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	-19 615
38.10		
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - Finance charges - Payables and Creditors (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	2 193 932
38.10		
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - Contracted Services - Contractors (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	8 698
38.10		
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - General Expenses - Advertising (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	12 804
38.10		
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - Bulk Purchases - Electricity (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	-202 565
38.10		
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - General Expenses - Fuel & Oil (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	-284
38.10		
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - Interest Earned - External Investments (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	-108
38.10		
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - General Expenses - IT Expenses (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	7 516
38.10		
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - General Expenses - Tavel Local (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	8 000
38.10		

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUED)		2018 R
38.08	Payables from exchange transactions (continued)	
	Correction of Payables from Exchange Transactions - Salary Control Account against - Statement of Financial Performance - General Expenses - Insurance (Correction of allocation of staff insurance deductions for 2017/18)	38.10 -6 177
	Correction of Payables from Exchange Transactions - Salary Control Account against Vat Payable from Exchange Transactions - VAT Receivable (Correction of allocation of staff insurance deductions for 2017/18)	38.01 -927
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - Contracted Services - Professional and consultants (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	38.10 -113 246
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - General Expenses - Telephone and Fax (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	38.10 18 996
	Total	62 240 995
38.09	Accumulated Surplus/(Deficit)	
	Disclosure as required by GRAP 1.	
	Balance previously reported	503 107 901
	Correction of Trade and other receivables from exchange transactions against Accumulated Surplus (Correction of Property rates billed prior to 1 July 2017)	38.04 -9 072
	Correction of Payables from exchange transactions - Trade payables against Accumulated Surplus (Correction of SALGA creditor as at 1 July 2017)	38.08 439 676
	Correction of Payables from exchange transactions - Trade payables against Accumulated Surplus (Correction of EMC electrical creditor as at 1 July 2017)	38.08 315 488
	Correction of Payables from exchange transactions - Trade payables against Accumulated Surplus (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	38.08 8 241 632
	Correction of Property, plant and Equipment - Infrastructure Cost against Accumulated Surplus (Correction of Opening cost as per corrected 2018 Fixed Asset Register)	38.05 584 997
	Correction of Property, plant and Equipment - Infrastructure Accumulated Depreciation against Accumulated Surplus (Correction of Opening Accumulated Depreciation as per corrected 2018 Fixed Asset Register)	38.05 439 914
	Correction of Cash and Cash Equivalents - Primary Bank Account against Accumulated Surplus (Cancelled EFT's from prior period)	38.02 1 137 183
	Correction of Property, plant and Equipment - Other Assets against Accumulated Surplus (Disposal of assets incorrectly captured on the FAR opening balance 1 July 2017 - Cost)	38.05 -110 385
	Correction of Property, plant and Equipment - Other Assets against Accumulated Surplus (Disposal of assets incorrectly captured on the FAR opening balance 1 July 2017 - Accumulated Depreciation)	38.05 53 410
	Correction of Property, plant and Equipment - Other Assets against Accumulated Surplus (Disposal of assets incorrectly captured on the FAR opening balance 1 July 2017 - Accumulated Impairment)	38.05 17 267
	Correction of Property, plant and Equipment - Other Assets against Accumulated Surplus (First time recognition of Other Assets correction on the FAR opening balance 1 July 2017 - Cost)	38.05 128 071
	Correction of Property, plant and Equipment - Other Assets against Accumulated Surplus (First time recognition of Other Assets correction on the FAR opening balance 1 July 2017 - Accumulated Depreciation)	38.05 -74 839
	Correction of Property, plant and Equipment - Land & Buildings Accumulated Surplus (Correction of duplicate properties between Land and Buildings and Investment Property)	38.05 -26 380
	Correction of Investment Property against Accumulated Surplus (Correction of duplicate properties between Land and Buildings and Investment Property)	38.06 -2 726 449
	Correction of Investment Property against Accumulated Surplus (Reversal of Opening Fair value as Directive 11 is being applied to restate at Cost)	38.06 -53 764 897

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUED)		2018
		R
38.09	Accumulated Surplus/(Deficit) (continued)	
	Correction of Investment Property against Accumulated Surplus (Capturing Opening Cost as Directive 11 is being applied to restate at Cost)	
	38.06	17 287 831
	Correction of Investment Property against Accumulated Surplus (Capturing Opening Accumulated Depreciation as Directive 11 is being applied to restate at Cost)	
	38.06	-179 150
	Correction of Property, plant and Equipment - Infrastructure Cost against Accumulated Surplus (Correction of Opening cost - classify land from Infra to Land and Buildings as per corrected 2018 Fixed Asset Register however already included thus move to Surplus)	
	38.05	-1 597 839
	Correction of Property, plant and Equipment - Community Assets against Accumulated Surplus (Restatement of Community Assets - Take on date correction of Opening balance as per restatement - Cost)	
	38.05	-150 738 979
	Correction of Property, plant and Equipment - Community Assets against Accumulated Surplus (Restatement of Community Assets - Take on date correction of Opening balance as per restatement - Accumulated Depreciation)	
	38.05	71 902 292
	Correction of Property, plant and Equipment - Community Assets against Accumulated Surplus (Restatement of Community Assets - Take on date correction of Opening balance as per restatement - Accumulated Impairment)	
	38.05	1 534 891
	Correction of Property, plant and Equipment - Land and Buildings against Accumulated Surplus (Restatement of Land and Buildings - Take on date correction of Opening balance as per restatement - Cost)	
	38.05	-1 080 285
	Correction of Property, plant and Equipment - Land and Buildings against Accumulated Surplus (Restatement of Land and Buildings - Previously not recognised Land correction of Opening balance as per restatement - Cost)	
	38.05	1 574 000
	Correction of Property, plant and Equipment - Land & Buildings against Accumulated Surplus (Restatement of Land and Buildings - Take on date correction of Opening balance as per restatement - Cost)	
	38.05	-52 212 395
	Correction of Property, plant and Equipment - Land & Buildings against Accumulated Surplus (Restatement of Land and Buildings - Take on date correction of Opening balance as per restatement - Accumulated Depreciation)	
	38.05	30 441 738
	Correction of Property, plant and Equipment - Land & Buildings against Accumulated Surplus (Restatement of Land and Buildings - Take on date correction of Opening balance as per restatement - Accumulated Impairment)	
	38.05	252 291
	Total	374 937 910

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUED)		2018 R
38.10	Changes to Statement of Financial Performance	
	Balance previously reported	-25 627 148
	Correction of Long-term liabilities - capitalised lease liability against Statement of Financial Performance - General Expenses - Meter management fees (Re-allocation of meter rental payments during 2017/18)	38.07 8 857
	Correction of Long-term liabilities - capitalised lease liability against Statement of Financial Performance - Finance charges - Long term liabilities (Capturing finance charges as per amortisation tables for smartmeters during 2017/18)	38.07 -7 637
	Correction of Trade and other receivables from exchange transactions - Other Debtors against Statement of financial performance - General Expenses - Bank charges (Correction Smartmetering bank charges entries for 2017/18)	38.03 -223
	Correction of Trade and other receivables from exchange transactions - Other Debtors against Statement of financial performance - General Expenses - Meter Management Fees (Correction Smartmetering Meter management fees invoices during for 2017/18)	38.03 -9 898
	Correction of Trade and other receivables from exchange transactions - Other Debtors against Statement of Financial Performance - Service Charges - Electricity (Correction Smartmetering - Prepaid sales during 2017/18)	38.03 63 148
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial Performance - General Expenses - Meter management fees (Correction of Meter management fees on smartmeters for June 2018)	38.08 -9 285
	Correction of PPE against Statement of Financial Performance - Depreciation and Amortisation - Property, plant and equipment (Correction of smartmeters depreciation charge for 2017/18)	38.05 -1 846
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial Performance - Bulk Purchases - Water (Correction of Bulk purchases not recorded in 2017/18)	38.08 -466 861
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - Repairs and Maintenance - Other Expenditure (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	38.08 129 173
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - Repairs and Maintenance - Other Materials (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	38.08 11 480
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - General Expenses - other expenses (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	38.08 19 615
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - Finance charges - Payables and Creditors (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	38.08 -2 193 932
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - Contracted Services - Contractors (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	38.08 -8 698
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - General Expenses - Advertising (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	38.08 -12 804
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - Bulk Purchases - Electricity (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	38.08 202 565
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - General Expenses - Fuel & Oil (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	38.08 284
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - Interest Earned - External Investments (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	38.08 108
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - General Expenses - IT Expenses (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	38.08 -7 516
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - General Expenses - Tavel Local (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	38.08 -8 000
	Correction of Payables from Exchange Transactions - Salary Control Account against - Statement of Financial Performance - General Expenses - Insurance (Correction of allocation of staff insurance deductions for 2017/18)	38.08 6 177
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - Contracted Services - Professional and consultants (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	38.08 113 246

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUED)		2018 R
38.10	Changes to Statement of Financial Performance (continued)	
	Correction of General Expenses - Grant Expenditure against Statement of Financial performance - Contracted Services - Professional and consultants (Reclassification of vote 0203/4351/0000 from General expenses to Contracted Services for 2017/18)	38.10 1 722 388
	Correction of General Expenses - Grant Expenditure against Statement of Financial performance - Contracted Services - Professional and consultants (Reclassification of vote 0203/4351/0000 from General expenses to Contracted Services for 2017/18)	38.10 -1 722 388
	Correction of General Expenses - Grant Expenditure against Statement of Financial performance - Employee Related Costs - Salaries (Reclassification of vote 0421/4367/0000 from General expenses to Employee related costs for 2017/18)	38.10 422 356
	Correction of General Expenses - Grant Expenditure against Statement of Financial performance - Employee Related Costs - Salaries (Reclassification of vote 0421/4367/0000 from General expenses to Employee related costs for 2017/18)	38.10 -422 356
	Correction of General Expenses - Grant Expenditure against Statement of Financial performance - Repairs and Maintenance - Other Expenditure (Reclassification of vote 0421/4385/0000 from General expenses to Repairs and Maintenance for 2017/18)	38.10 1 929 144
	Correction of General Expenses - Grant Expenditure against Statement of Financial performance - Repairs and Maintenance - Other Expenditure (Reclassification of vote 0421/4385/0000 from General expenses to Repairs and Maintenance for 2017/18)	38.10 -1 929 144
	Correction of Statement of Financial Performance - Employee related costs - Basic against Repairs and Maintenance - Other Expenditure (Due to reclassification of vote 0421/4385/0000 , correction of allocation of expenditure within the vote for 2017/18)	38.10 1 886 124
	Correction of Statement of Financial Performance - Employee related costs - Basic against Repairs and Maintenance - Other Expenditure (Due to reclassification of vote 0421/4385/0000 , correction of allocation of expenditure within the vote for 2017/18)	38.10 -1 886 124
	Correction of Statement of Financial Performance - Employee related costs - Basic against Contracted Services - Professional and Consultants (Due to reclassification of vote 0203/4351/0000 , correction of allocation of expenditure within the vote for 2017/18)	38.10 146 515
	Correction of Statement of Financial Performance - Employee related costs - Basic against Contracted Services - Professional and Consultants (Due to reclassification of vote 0203/4351/0000 , correction of allocation of expenditure within the vote for 2017/18)	38.10 -146 515
	Correction of Property, plant and Equipment - Infrastructure Accumulated Depreciation against Statement of Financial Performance - Depreciation and Amortisation (Correction of Depreciation charge for 2017/18 as per amended 2018 FAR)	38.05 209 046
	Correction of Property, plant and Equipment - Infrastructure Accumulated Impairment against Statement of Financial Performance - Asset Impairment (Correction of Impairment charge for 2017/18 as per amended 2018 FAR)	38.05 -1 393
	Correction of Property, plant and Equipment - Infrastructure Cost against Statement of Financial Performance - Loss on disposal of PPE (Correction of Cost Disposal of Infra PPE for 2017/18 as per amended 2018 FAR)	38.05 110 565
	Correction of Property, plant and Equipment - Infrastructure Accumulated Depreciation against Statement of Financial Performance - Loss on disposal of PPE (Correction of Accumulated Depreciation Disposal of Infra PPE for 2017/18 as per amended 2018 FAR)	38.05 -50 059
	Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - General Expenses - Telephone and Fax (Correction of Trade payables as per 2018 payables recon for the period 2017/18)	38.08 -18 996
	Correction of Property, plant and Equipment - Other Assets against Statement of Financial Performance - Depreciation and Amortisation (Disposal of assets incorrectly captured on the FAR depreciation charge reversal for 2017/18)	38.05 7 620
	Correction of Property, plant and Equipment - Other Assets against Statement of Financial Performance - Asset Impairment (Disposal of assets incorrectly captured on the FAR impairment charge reversal for 2017/18)	38.05 170
	Correction of Property, plant and Equipment - Other Assets against Statement of Financial Performance - Depreciation and Amortisation (First time recognition of assets captured on the FAR depreciation charge for 2017/18)	38.05 -8 319
	Correction of Investment Property against Statement of Financial Performance - Fair value adjustment (Correction of duplicate properties between Land and Buildings and Investment Property- Fair value movement 2017/18)	38.06 -109 058
	Correction of Investment Property against Statement of Financial Performance - Fair value adjustment (Reversal of Fair value adjustment as Directive 11 is being applied to restate at Cost)	38.06 -2 150 596
	Correction of Investment Property against Statement of Financial Performance - Depreciation and Amortisation - Investment Property (Capturing Depreciation charge for 2017/18 as Directive 11 is being applied to restate at Cost)	38.06 -19 906
	Correction of Property, plant and Equipment - Community Assets against Statement of Financial Performance - Depreciation and Amortisation - PPE (Restatement of Community Assets - Take on date correction of Depreciation charge)	38.05 3 813 636
	Correction of Property, plant and Equipment - Community Assets against Statement of Financial Performance - Asset Impairment (Restatement of Community Assets - Take on date correction of Impairment charge)	38.05 33 936
	Correction of Property, plant and Equipment - Land and Buildings against Statement of Financial Performance - Depreciation and Amortisation - PPE (Restatement of Land and Buildings - Take on date correction of Depreciation charge)	38.05 1 355 314
	Correction of Property, plant and Equipment - Land and Buildings against Statement of Financial Performance - Asset Impairment (Restatement of Land and Buildings - Take on date correction of Impairment charge)	38.05 6 306
Total		-24 620 929

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
39 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
Surplus/(Deficit) for the year	(16 760 826)	(24 620 929)
Adjustments for:		
Depreciation	26 261 204	29 900 356
Amortisation of Intangible Assets	9 513	7 172
Impairments	14 956	151 949
(Gain)/ loss on disposal of Property Plant and Equipment	(442 953)	2 552 161
(Gain)/ loss on disposal of Biological Assets	-	-
(Gain)/ loss from landfill cost reversal	-	-
Contribution from/to employee benefits - benefits paid	(881 367)	(784 980)
Contribution from/to employee benefits - non-current - expenditure incurred	2 049 057	1 996 508
Contribution from/to employee benefits - non-current - (actuarial gains)/losses	(1 684 880)	472 895
Contribution to employee benefits – current	2 683 677	1 914 497
Contribution to employee benefits – current - expenditure incurred	(2 372 063)	(1 849 607)
Contribution to provisions – current	1 347 374	458 071
Contribution to provisions – current - expenditure incurred	-	-
Contribution to provisions – Debt Impairment	14 022 828	12 475 174
Bad Debt written off	(381 927)	(260 570)
Fair Value Adjustments	-	-
Unamortised discount - Interest	(191 862)	-
Operating lease income accrued	3 210	(3 566)
Operating Surplus/(Deficit) before changes in working capital	23 675 941	22 409 132
Changes in working capital	24 135 005	(1 414 744)
Increase/(Decrease) in Payables From Exchange Transactions	19 662 400	18 400 879
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	22 933 606	(168 883)
Increase/(Decrease) in Taxes	(5 580 365)	(3 497 799)
(Increase)/Decrease in Inventory	144 101	(223 621)
(Increase)/Decrease in Trade Receivables from exchange transactions	(11 465 766)	(10 870 321)
(Increase)/Decrease in Other Receivables from non-exchange transactions	(1 558 972)	(5 055 001)
Cash generated/(absorbed) by operations	47 810 945	20 994 388
	2019 R	2018 R
40 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Call Investments Deposits	14 18 888 634	4 202
Cash Floats	14 1 500	1 100
Bank	14 252 520	142 788
Total cash and cash equivalents	19 142 653	148 090
41 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
Cash and Cash Equivalents	40 19 142 653	148 090
Less:	19 142 653	148 090
Unspent Committed Conditional Grants	22 933 606	-
Resources available for working capital requirements	(3 790 952)	148 090

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

42 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION	2019	2018
	R	R
Long-term Liabilities	15 1 762 328	2 495 662
Used to finance property, plant and equipment - at cost	<u>-1 762 328</u>	<u>-2 495 662</u>
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	<u><u>-</u></u>	<u><u>-</u></u>

Finance lease obligations are calculated at 10.5%-35% interest rate, with maturity date of 30 April 2023.

43 BUDGET INFORMATION	2019	2018
	R	R

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the additional Statement of comparison of budget and actual amounts.

Explanations for material differences between the final budget amounts and actual amounts are included the Statement of comparison of budget and actual amounts.

44 CASH FLOW PRESENTATION	2019	2018
	R	R

The Cash flow statement has been prepared on the direct method as in accordance with GRAP 2. The comparative amounts have been adjusted with any changes made to the comparative amounts as disclosed in Note 38.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

45	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED	2019 R	2018 R
45.1	Unauthorised expenditure		
	Reconciliation of unauthorised expenditure:		
	Opening balance	222 661 124	183 213 360
	Unauthorised expenditure current year - capital	1 660 767	7 156 030
	Unauthorised expenditure current year - operating	24 714 534	32 291 734
	Approved by Council or condoned	-	-
	Transfer to receivables for recovery	-	-
	Unauthorised expenditure awaiting authorisation	249 036 425	222 661 124

Incident	Disciplinary steps/criminal proceedings
Over expenditure on votes	None

	2019 R (Actual)	2019 R (Budget)	2019 R (Variance)	2019 R (Unauthorised)
Unauthorised expenditure current year - operating				
Executive and council	15 793 841	11 522 639	4 271 201	4 271 201
Finance and administration	56 993 886	39 390 793	17 603 093	17 603 093
Community and social services	-	7 207 500	(7 207 500)	-
Sport and recreation	16 347	-	16 347	16 347
Public safety	1 642 303	-	1 642 303	1 642 303
Health	36 326	-	36 326	36 326
Planning and development	1 875 585	-	1 875 585	1 875 585
Road transport	-	11 720 688	(11 720 688)	-
Environmental protection	5 661 849	-	5 661 849	5 661 849
Energy sources	8 203 615	26 112 277	(17 908 662)	-
Water management	13 672 475	10 095 805	3 576 670	3 576 670
Waste water management	11 984 725	10 722 725	1 261 999	1 261 999
Waste management	23 542 403	5 940 610	17 601 792	17 601 792
	139 423 355	122 713 039	16 710 316	53 547 166

Unauthorised expenditure current year - operating (per vote)

	2019 R (Actual)	2019 R (Budget)	2019 R (Variance)	2019 R (Unauthorised)
Executive & Council	15 793 841	11 522 639	4 271 201	4 271 201
Budget & Treasury Office	51 496 787	33 659 477	17 837 310	17 837 310
Corporate Services	10 302 344	12 938 816	(2 636 472)	-
Technical Services	12 437 791	11 720 688	717 103	717 103
Electricity Distribution	23 542 403	26 112 277	(2 569 874)	-
Water Services	11 984 725	10 095 805	1 888 920	1 888 920
Sewerage Services	8 203 615	10 722 725	(2 519 111)	-
Cleansing Services	5 661 849	5 940 610	(278 762)	-
	139 423 355	122 713 038	16 710 316	24 714 534

Unauthorised expenditure current year - capital

	2019 R (Actual)	2019 R (Budget)	2019 R (Variance)	2019 R (Unauthorised)
Finance and administration	328 086	-	328 086	328 086
Road transport	3 045 770	9 724 036	(6 678 266)	-
Energy sources	986 109	1 100 000	(113 891)	-
Water management	21 298 760	27 500 012	(6 201 252)	-
Waste water management	3 332 681	2 000 000	1 332 681	1 332 681
	28 991 406	40 324 048	(11 332 642)	1 660 767

Unauthorised expenditure current year - capital (per vote)

	R (Actual)	R (Budget)	R (Variance)	R (Unauthorised)
Budget & Treasury Office	267 139	-	267 139	267 139
Corporate Services	60 947	-	60 947	60 947
Technical Services	3 045 770	9 724 036	(6 678 266)	-
Electricity Distribution	986 109	1 100 000	(113 891)	-
Water Services	21 298 760	27 500 012	(6 201 252)	-
Sewerage Services	3 332 681	2 000 000	1 332 681	1 332 681
	28 991 406	40 324 048	(11 332 642)	1 660 767

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (CONTINUED)	2019	2018
	R	R
The over expenditure incurred by municipal departments on their operating budgets		
Non-cash	41 324 342	44 824 827
Cash	(16 609 808)	(12 533 092)
	24 714 534	32 291 734

Analysed as follows: Non-cash

Employee related cost (Actuarial Valuations)	-	-
Depreciation and Amortisation	26 261 204	29 907 528
Finance Charges (Interest portion of Provision for Rehabilitation of Landfill-sites)	1 347 374	458 071
Finance Charges (Actuarial Interest)	961 833	951 098
Loss on disposal of Property, Plant and Equipment	-	2 565 548
Impairment Losses	-	-
Debt Impairment	12 753 932	10 942 581
	41 324 342	44 824 827

Analysed as follows: Cash

Other	(16 609 808)	(12 533 092)
	(16 609 808)	(12 533 092)

45.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance	20 394 717	15 988 649
Fruitless and wasteful expenditure current year	5 460 808	4 406 068
Balance previously reported	-	2 212 136
Correction of Payables from exchange transactions - Trade payables against Statement of Financial performance - Finance Charges- Payables and creditors (Correction of Trade payables as per 2018 payables recon for the period 2017/18 thus amending the fruitless and wasteful disclosure)	38.10 -	2 193 932
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
Fruitless and wasteful expenditure awaiting condonement	25 855 524	20 394 717

Incident	Disciplinary steps/criminal proceedings		
2018 - Interest for the late payment on Various creditors's account	None	-	22 021
2018 - Interest for the late payment on Auditor General's account	None	-	511 836
2018 - Interest for the late payment on Eskom's account	None	-	3 089 728
2018 - Penalties for late submission of EMP201 assessments	None	-	435 439
2018 - Interest for the late submission of EMP201 assessments	None	-	226 236
2018 - Interest for the late submission of VAT201 assessments	None	-	43 146
2018 - Penalty for the late submission of VAT201 assessments	None	-	77 661
2019 - Interest for the late payment on Various creditors's account	None	19 224	-
2019 - Interest for the late payment on Department of Waters account	None	175 394	-
2019 - Interest for the late payment on Auditor General's account	None	80 678	-
2019 - Interest for the late payment on Eskom's account	None	4 495 780	-
2019 - Penalties for late submission of EMP201 assessments	None	486 840	-
2019 - Interest for the late submission of EMP201 assessments	None	99 264	-
2019 - Interest for the late submission of VAT201 assessments	None	43 553	-
2019 - Penalty for the late submission of VAT201 assessments	None	60 075	-

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (CONTINUED)		2019 R	2018 R
45.3	Irregular expenditure		
Reconciliation of irregular expenditure:			
	Opening balance	138 549 086	124 197 866
	Irregular expenditure current year	12 996 035	14 351 221
	Transfer to receivables for recovery - not condoned	-	-
	Irregular expenditure awaiting condonement	151 545 121	138 549 086

Incident	Disciplinary steps/criminal proceedings		
2018 List of Irregular Expenditure - Non-compliance - No 3 quotations or approved deviation report by Accounting Officer.	None	-	1 861 669
2018 List of Irregular expenditure - Non-compliance - No 3 quotations. No appointment letter or Evaluation report by SCM. No approved deviation report by Accounting Officer.	None	-	2 433 518
2018 List of Irregular expenditure - Non-compliance - No bidding process followed. No appointment letter of contractor or Evaluation report by SCM. No approved deviation report by Accounting Officer.	None	-	4 786 751
2018 List of Irregular expenditure - Non-compliance - Awards made to suppliers who are in service of the state	None	-	4 070 616
2018 List of Irregular expenditure - Non-compliance - Awards made to supplier whose director is employed by the municipality or whom has family within the municipality	None	-	584 417
2018 List of Irregular expenditure - Non-compliance - Awards made to suppliers with Tax Affairs which are not in order	None	-	614 250
2019 List of Irregular Expenditure - Non-compliance - No 3 quotations or approved deviation report by Accounting Officer.	None	2 561 123	-
2019 List of Irregular expenditure - Non-compliance - No 3 quotations. No appointment letter or Evaluation report by SCM. No approved deviation report by Accounting Officer.	None	2 778 990	-
2019 List of Irregular expenditure - Non-compliance - No bidding process followed. No appointment letter of contractor or Evaluation report by SCM. No approved deviation report by Accounting Officer.	None	6 867 860	-
2019 List of Irregular expenditure - Non-compliance - Awards made to supplier whose director is employed by the municipality or whom has family within the municipality	None	788 062	-

The list of Irregular expenditure will be investigated and proceedings will be reported on.

45.4	Material Losses		
Electricity distribution losses			
	Units purchased (Kwh)	14 035 981	13 769 859
	- Units lost during distribution (Kwh)	81 195	3 155 840
	- Percentage lost during distribution	0.58%	22.92%
Water distribution losses			
	- Mega litres purified	2 636 026	2 636 026
	- Mega litres lost during distribution	995 837	995 837
	- Percentage lost during distribution	37.78%	37.78%

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

46	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT	2019 R	2018 R
46.1	<u>Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</u>		
	Opening balance	2 621 435	2 115 578
	Council subscriptions	506 205	505 857
	Amount paid - current year	-	-
	Amount paid - previous years	-	-
	Balance unpaid	3 127 640	2 621 435
46.2	<u>Audit fees - [MFMA 125 (1)(b)]</u>		
	Opening balance	409 368	5 184 244
	Current year audit fee	2 843 287	4 372 160
	Amount paid - current year	(43 483)	-
	Amount paid - previous year	(232 023)	-
	Public contribution & donations received	(737 312)	(9 147 036)
	Balance unpaid (included in creditors)	2 239 836	409 368
46.3	<u>VAT - [MFMA 125 (1)(b)]</u>		
	VAT	7 409 675	1 829 310
	VAT is payable/receivable on the cash basis.		
		2019 R	2018 R
46.4	<u>PAYE, SDL and UIF - [MFMA 125 (1)(b)]</u>		
	Opening balance	2 508 793	391 333
	Current year payroll deductions and Council Contributions	5 957 584	5 828 850
	Amount paid - current year	-3 866 380	-3 320 057
	Amount paid - previous year	-2 508 793	-391 333
	Balance unpaid (included in creditors)	2 091 204	2 508 793
46.5	<u>Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</u>		
	Opening balance	3 552 961	650 744
	Current year payroll deductions and Council Contributions	8 522 519	8 238 901
	Amount paid - current year	-7 772 527	-4 685 940
	Amount paid - previous year	-3 552 961	-650 744
	Balance unpaid (included in creditors)	749 992	3 552 961
46.6	<u>Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]</u>		
	The following Councillors had arrear accounts for more than 90 days as at 30 June 2019:		
		2019 R Outstanding more than 90 days	2018 R Outstanding more than 90 days
	DA George	-	45 503
	GA. Speelman	388	-
	JT Yawa	102 199	115 844
	G Maritz	29 941	25 281
	A Roberts	15 811	-
	E Adams	4 997	2 862
	Total Councillor Arrear Consumer Accounts	153 336	189 489

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

46	ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)	2019 R	2018 R
46.7	Non-Compliance with MFMA		
	* Section 65(2)(e) of the MFMA: Creditors were not paid within the 30 day limit.		
46.8	Deviations - Supply Chain Management		
	Deviations from the Supply Chain Management Regulations were identified on the following categories:		
	Deviations per financial category		
	- Between R 0 and R 2 000	-	-
	- Between R 2 000 and R 10 000	-	420 891
	- Between R 10 000 and R 30 000	-	1 401 491
	- Between R 30 000 and R 500 000	-	5 218 579
	- Above R 500 000	-	3 011 469
		<hr/>	<hr/>
		-	10 052 429
		<hr/> <hr/>	<hr/> <hr/>
	Deviations between R30 000 and R500 000		
	AAS Operations - Sole Supplier	-	664 255
	Abuti Management Consulting CC - Sole Supplier	-	122 550
	Anric Enterprises - Sole Supplier	-	40 250
	C- PAC Pumps & Valves - Sole Supplier	-	74 619
	De Aar Stone Crusher - Sole Supplier	-	116 153
	Johan Andrew Phillips T/A Quick Step - Sole Supplier	-	299 000
	Kgotso solutions - Sole Supplier	-	54 500
	Mabasotho Tax Consultants - Sole Supplier	-	674 763
	Makomota Investment Holdings(PTY) LTD - Sole Supplier	-	268 035
	Maximum Profit Recovery - Sole Supplier	-	44 979
	Munex Consulting - Sole Supplier	-	30 550
	MVD Kalahari - Sole Supplier	-	767 396
	NR Engineering - Sole Supplier	-	36 936
	Pixley KA Seme - Sole Supplier	-	136 744
	Post Office - Sole Supplier	-	40 255
	Precision Hydraulics - Sole Supplier	-	32 900
	Prieska Internet Dienste - Sole Supplier	-	36 479
	Sebata Municipal Solutions(PTY) LTD - Sole Supplier	-	526 657
	Snowball Construction - Sole Supplier	-	373 106
	Weird Industries CC - Sole Supplier	-	508 404
	Zandile Management Services - Sole Supplier	-	77 251
	Munex Consulting - Compile narrative budgets - Sole Supplier	-	37 250
	Munex Consulting CC - Compilation of audit action plan - Sole Supplier	-	109 000
	TRI LECTRO ELEKRIESE KONTRAKTEURS - Repair of faulty cable - Sole Supplier	-	35 314
	Munex Consulting CC - Compilation of audit action plan - Sole Supplier	-	60 000
	Turbo Vent – Airconditioning - Sole Supplier	-	51 233
	Deviations above R500 000		
	Overrow Trading 55 CC - Sole supplier	-	907 800
	Mogobeng Consulting - Sole supplier	-	2 103 669

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

		2019 R	2018 R
47	CAPITAL COMMITMENTS		
	Commitments in respect of capital expenditure:		
	Approved and contracted for:		
	Infrastructure	8 270 872	9 921 607
		8 270 872	9 921 607
	Total	8 270 872	9 921 607
	This expenditure will be financed from:		
	Government Grants	8 270 872	9 921 607
		8 270 872	9 921 607
		2019	2018
		R	R

48 FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

	2019 R	2018 R
0.5% (2018 - 0.5%) Increase in interest rates	86 894	(12 299)
0.5% (2018 - 0.5%) Decrease in interest rates	(86 894)	12 299

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 9 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 9 for balances included in receivables that were re-negotiated for the period under review.

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

48

FINANCIAL RISK MANAGEMENT (CONTINUED)

			2019 R	2018 R
Balances past due not impaired:				
	2019 %	2019 R	2018 %	2018 R
<u>Non-Exchange Receivables</u>				
Rates	100.00%	1 306 954	100.00%	(833 358)
<u>Exchange Receivables</u>				
Electricity	27%	1 015 588	27%	938 482
Water	51%	1 918 370	55%	1 883 038
Refuse	6%	232 944	4%	148 889
Sewerage	14%	507 364	11%	385 778
Other	2%	80 700	2%	61 281
	<u>100.00%</u>	<u>3 754 966</u>	<u>100.00%</u>	<u>3 417 468</u>

No trade and other receivables are pledged as security for financial liabilities.

Due to the short term nature of trade and other receivables the carrying value disclosed in note 9 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2019 %	2019 R	2018 %	2018 R
Electricity	4.59%	4 228 953	4.14%	3 245 676
Water	47.63%	43 847 243	48.59%	38 107 751
Refuse	4.99%	4 589 987	4.98%	3 906 298
Sewerage	13.33%	12 275 358	13.84%	10 853 848
Other Consumer Arrears	3.27%	3 010 267	3.18%	2 491 958
Rates	25.42%	23 407 118	24.39%	19 124 962
Other Sundry Debtors	0.71%	657 528	0.84%	657 528
Long-term Receivables	0.05%	50 486	0.05%	38 017
	<u>100.00%</u>	<u>92 066 938</u>	<u>100.00%</u>	<u>78 426 037</u>

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

Financial assets exposed to credit risk at year end are as follows:

Trade receivables and other receivables	14 220 600	14 824 296
Cash and Cash Equivalents	19 142 653	148 091
	<u>33 365 247</u>	<u>14 987 349</u>

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

**2019
R**

**2018
R**

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an on-going review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2019				
Long Term liabilities	830 108	1 343 500	-	-
Capital repayments	579 985	1 063 304	-	-
Interest	250 123	280 196	-	-
Payables From Exchange Transactions	81 903 395	-	-	-
Provisions	3 916 629	-	-	42 296 836
Capital repayments	3 916 629	-	-	18 744 289
Interest	-	-	-	23 552 547
	<u>109 583 738</u>	<u>1 343 500</u>	<u>-</u>	<u>42 296 836</u>
2018				
Long Term liabilities	1 158 016	2 173 608	-	-
Capital repayments	844 514	1 658 141	-	-
Interest	313 503	411 280	-	-
Payables From Exchange Transactions	62 240 995	-	-	-
Provisions	3 870 434	-	-	43 400 903
Capital repayments	3 870 434	-	-	18 035 640
Interest	-	-	-	25 365 263
Unspent conditional government grants and receipts	-	-	-	-
	<u>67 269 444</u>	<u>2 173 608</u>	<u>-</u>	<u>43 400 903</u>

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

		2019 R	2018 R
49	FINANCIAL INSTRUMENTS		
	In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:		
	The fair value of financial instruments approximates the amortised costs as reflected below.		
49.1	Financial Assets		
	Classification IAS 39		
	Long-term Receivables		
	Trade and other receivables with arrangements	-	9 501
	Consumer Debtors		
	Trade receivables from exchange transactions	11 371 605	9 252 116
	Other receivables from exchange transactions		
	Trade receivables from non-exchange transactions	2 848 996	5 572 180
	Current Portion of Long-term Receivables		
	Trade and other receivables with arrangements	-	-
	Short-term Investment Deposits		
	Call Deposits	18 888 634	4 202
	Bank Balances and Cash		
	Bank Balances	-	142 788
	Cash Floats and Advances	1 500	1 100
		<u>33 110 734</u>	<u>14 981 887</u>
	SUMMARY OF FINANCIAL ASSETS		
	Financial instruments at amortised cost	<u>33 110 734</u>	<u>14 981 887</u>
49.2	Financial Liability		
	Classification IAS 39		
	Long-term Liabilities		
	Capitalised Lease Liability	1 160 804	1 762 328
	Trade Payables		
	Trade creditors	81 903 395	62 240 995
	Unspent Conditional Grants and Receipts		
	Other Spheres of Government	22 933 606	-
	Current Portion of Long-term Liabilities		
	Capitalised Lease Liability	601 524	844 514
	Bank Balances and Cash		
	Bank Balances	-	-
		<u>106 602 329</u>	<u>64 850 837</u>
	SUMMARY OF FINANCIAL LIABILITY		
	Financial instruments at amortised cost	<u>106 602 329</u>	<u>64 850 837</u>
50	EVENTS AFTER THE REPORTING DATE	2019 R	2018 R
	The municipality has no events after reporting date during the financial year ended 30 June 2019		

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

51	IN-KIND DONATIONS AND ASSISTANCE	2019	2018
		R	R
	<p>The municipality received assistance from National Treasure regarding outstanding fees to the Auditor General's office and funding from Pixley District Municipality for an outreach programme (career day event). Donations amounting to R55 260.81 was received during the year for the Mayoral Tournament.</p>		
52	PRIVATE PUBLIC PARTNERSHIPS		
	<p>Council has not entered into any private public partnerships during the financial year.</p>		
53	CONTINGENT LIABILITY		
	<p>Siyathemba Municipality has a possible liability with regards to the landfill site licence for Marydale which has expired.</p>		
		10 000 000	10 000 000
54	RELATED PARTIES		
	<p>Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.</p>		

54.1 Related Party Transactions

	Rates - Levied 1 July 2018 - 30 June 2019	Service Charges - Levied 1 July 2018 - 30 June 2019	Other - Levied 1 July 2018 - 30 June 2019	Outstanding Balances 30 June 2019
Year ended 30 June 2019				
Councillors	63 317	245 196	-	158 767
HME Tsume	504	6 129	-	588
GP. Mackay	3 022	23 494	-	1 711
W Pelster	13 638	65 388	-	4 597
S Saaiman	7 571	8 527	-	-1 309
GA. Speelman	-	5 546	-	1 256
PW Saaiman	7 982	22 261	-	3 579
JT Yawa	4 324	7 641	-	106 339
G Maritz	860	10 679	-	32 378
A Roberts	2 852	15 526	-	1 059
E Adams	-	3 571	-	3 865
Key Management				
IWJ Stadhouer	9 361	29 629	-	1 509
J Basson	13 204	46 804	-	3 196
	Rates - Levied 1 July 2017 - 30 June 2018	Service Charges - Levied 1 July 2017 - 30 June 2018	Other - Levied 1 July 2017 - 30 June 2018	Outstanding Balances 30 June 2018
Year ended 30 June 2018				
Councillors	53 353	225 875	-	233 818
HME Tsume	-	9 698	-	672
GP. Mackay	745	21 703	-	837
W Pelster	14 427	57 055	-	6 734
DA George	1 236	7 326	-	47 573
GA. Speelman	-	6 403	-	347
PW Saaiman	4 538	19 778	-	1 013
JT Yawa	8 942	8 886	-	120 228
A Roberts	3 513	14 937	-	18 153
E Adams	-	3 447	-	3 794
Key Management				
IWJ Stadhouer	5 951	24 327	-	3 192
J Basson	13 194	39 761	-	2 516

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

SIYATHEMBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 R	2018 R
RELATED PARTIES (CONTINUED)		
54.2 Related Party Loans		
Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 7 to the Annual Financial Statements.		
54.3 Compensation of key management personnel		
The compensation of key management personnel is set out in note 28 to the Annual Financial Statements.		
54.4 Other related party transactions		
The following purchases were made during the year where Councillors or Management have an interest:		
IWJ Stadhouer is a minor shareholder and resigned as non-executive director at GWK during the financial year. Siyathemba Municipality transacted during the financial year with GWK amounting to R821 659.88		
55 FINANCIAL SUSTAINABILITY		
The indicators or conditions that may, individually or collectively, cast significant doubt about the going concern assumption are as follows:		
Financial Indicators		
The current ratio decreased to 0.36:1 from 0.24:1 in the prior year.		
The municipality has furthermore budgeting for positive cash flows during 2019/2020 and 2020/2021 amounting to R47 007 000 and R49 828 000 respectively.		
The average debtors' payment days increased to 2516 days from 780 days. The debtors impairment ratio decreased to 87% from the previous year's 84%.		
The municipality is unable to meet its obligation when due, this was evidence by suppliers not being paid within 30 days.		
Furthermore the municipality incurred a net loss during the 2018/19 financial year amounting to R16760826 and a net loss in the 2017/18 financial year amounting to R24620929		
Other Indicators		
Possible outflow of resources due the contingent liability disclosed in note 53		

**APPENDIX A - Unaudited
SIYATHEMBA LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2019**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 June 2018	Correction of Error	Balance at 30 June 2018 Restated	Received during the period	Redeemed written off during the period	Balance at 30 June 2019
LEASE LIABILITY									
Finance lease liability	10.5%	Nizak	2021/10/31	1 539 768	-	1 539 768	-	(407 014)	1 132 754
Finance lease liability	11 to 25%	Nashua	2019/12/31	610 150	-	610 150	-	(84 763)	525 387
315SJ 4X4 Loader	Prime + 1%	ABSA - 82003806	2019/02/01	80 709	-	80 709	-	(80 709)	-
CS533E XL Compactor	Prime + 1%	ABSA - 82306558	2019/06/01	104 337	-	104 337	-	(104 337)	-
Nissan 12 4X2N	Prime + 1%	ABSA - 82003555	2019/02/01	160 699	-	160 699	-	(160 699)	-
Smartmeters	28 to 35%	Gridcontrol Technologies	2023/04/30	-	111 180	111 180	-	(6 992)	104 187
Total Lease Liabilities				2 495 662	111 180	2 606 842	-	(844 514)	1 762 328
TOTAL EXTERNAL LOANS				2 495 662	111 180	2 606 842	-	(844 514)	1 762 328

APPENDIX B - Unaudited
SIYATHEMBA LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019
MUNICIPAL VOTES CLASSIFICATION

2018 Actual Income R	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R		2019 Actual Income R	2019 Actual Expenditure R	2019 Surplus/ (Deficit) R
825 780	(13 248 686)	(12 422 906)	Council General	983 712	(14 876 700)	(13 892 988)
-	(694 508)	(694 508)	Municipal Manager	-	(917 141)	(917 141)
-	(27 425)	(27 425)	Financial Services	-	-	-
30 284 489	(54 561 981)	(24 277 492)	Budget and Treasury	23 440 705	(51 496 787)	(28 056 082)
12 540 267	-	12 540 267	Assessment Rates	12 579 895	-	12 579 895
20 799	(5 461 226)	(5 440 427)	Corporate Services	15 675	(4 930 263)	(4 914 588)
649 978	(3 357 116)	(2 707 138)	Municipal Buildings and Offices	653 062	(486 659)	166 403
33 346	-	33 346	Housing : Employee Scheme	29 825	-	29 825
97 787	-	97 787	Meent	291 511	(1 853)	289 658
1 458 883	(1 570 448)	(111 566)	Libraries	1 090 000	(1 670 800)	(580 800)
45 027	(80 368)	(35 341)	Cemetaries	49 150	(61 669)	(12 519)
1 121	-	1 121	Housing Scheme	174	-	174
1 589 272	(1 934 781)	(345 509)	Licencing and Traffic	754 825	(1 636 144)	(881 319)
-	(29 499)	(29 499)	Technical Services Admin	-	(384 628)	(384 628)
-	(7 658)	(7 658)	Airport	-	(1 090)	(1 090)
-	(2 603 676)	(2 603 676)	Parks & Recreation	-	(2 061 388)	(2 061 388)
16 926 233	(11 782 349)	5 143 885	Public Works	9 512 396	(12 184 288)	(2 671 892)
22 188 903	(21 622 640)	566 263	Electricity	21 985 207	(23 542 403)	(1 557 196)
14 954 282	(12 222 629)	2 731 653	Water Services	33 409 272	(12 910 802)	20 498 470
7 632 583	(6 152 745)	1 479 837	Sewerage Services	13 391 361	(8 252 353)	5 139 008
3 930 598	(4 047 621)	(117 023)	Cleansing Services	4 475 757	(5 661 849)	(1 186 092)
-	(24 022)	(24 022)	Fire Brigade	-	(36 326)	(36 326)
113 179 347	(139 429 378)	(26 250 031)	Sub Total	122 662 527	(141 129 490)	(18 466 963)
-	1 629 102	1 629 102	Less Inter-Departmental Charges	-	1 706 136	1 706 136
113 179 347	(137 800 276)	(24 620 929)	Total	122 662 527	(139 423 354)	(16 760 827)

APPENDIX C - Unaudited
SIYATHEMBA LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2018 Actual Income R	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R		2019 Actual Income R	2019 Actual Expenditure R	2019 Surplus/ (Deficit) R
825 780	(13 943 194)	(13 117 414)	Executive & Council	983 712	(15 793 841)	(14 810 129)
43 593 319	(63 444 904)	(19 851 585)	Budget & Treasury	36 980 848	(57 301 280)	(20 320 432)
1 503 909	(1 650 816)	(146 907)	Community & Social Services	1 139 150	(1 732 469)	(593 319)
34 467	-	34 467	Housing	29 999	-	29 999
-	(24 022)	(24 022)	Public Safety	-	(36 326)	(36 326)
-	(2 603 676)	(2 603 676)	Sport & Recreation	-	(2 061 388)	(2 061 388)
3 930 598	(4 047 621)	(117 023)	Waste Management	4 475 757	(5 661 849)	(1 186 092)
7 632 583	(6 152 745)	1 479 837	Waste Water Management	13 391 361	(8 252 353)	5 139 008
18 515 505	(13 717 130)	4 798 375	Road Transport	10 267 221	(13 820 432)	(3 553 211)
14 954 282	(12 222 629)	2 731 653	Water	33 409 272	(12 910 802)	20 498 470
22 188 903	(21 622 636)	566 267	Electricity	21 985 207	(23 542 399)	(1 557 192)
						-
113 179 347	(139 429 374)	(26 250 027)	Sub Total	122 662 527	(141 129 486)	-18 466 959
-	1 629 102	1 629 102	Less Inter-Departmental Charges	-	1 706 136	1 706 136
113 179 347	(137 800 272)	(24 620 925)	Total	122 662 527	(139 423 350)	(16 760 823)

APPENDIX D - Unaudited
SIYATHEMBA LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 July 2018	Correction of error	Restated balance 1 July 2018	Contributions during the year	Transfer	Interest on Investments	Other Income	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 June 2019
	R	R	R	R	R	R	R	R	R	R
UNSPENT/UNPIAD CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS										
Library Project	-	-	-	1 090 000	-	-	-	1 090 000	-	-
FMG	-	-	-	2 415 000	-	-	-	2 415 000	-	-
Equitable Share	-	-	-	29 448 000	-	-	-	29 448 000	-	-
MIG	-	-	-	29 724 000	-	-	-	-	12 534 987	17 189 013
EPWP	-	-	-	1 000 000	-	-	-	1 000 000	-	-
INEG	-	-	-	1 100 000	-	-	-	-	1 100 000	-
RBIG	-	-	-	7 183 719	-	-	-	-	7 183 719	-
WSIG	-	-	-	7 500 000	-	-	-	-	1 757 608	5 742 392
COGSTA	-	-	-	8 000 000	-	-	-	-	7 997 800	2 200
Kgotso Pula Nala	-	-	-	2 000 000	-	-	-	1 355 000	645 000	-
Total	-	-	-	89 460 719	-	-	-	35 308 000	31 219 113	22 931 406

APPENDIX E - Unaudited
SIYATHEMBA LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019
REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

Description	2018/2019							2017/2018
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
Revenue - Standard								
<i>Governance and administration</i>	42 188	302	42 490	37 965	(4 525)	89.3%	90.0%	44 419
Executive and council	2 188	-	2 188	984	(1 205)	45.0%	45.0%	826
Budget and treasury office	40 000	302	40 301	36 981	(3 321)	91.8%	92.5%	43 593
Corporate services	-	-	-	-	-	-	-	-
<i>Community and public safety</i>	25 486	(10 864)	14 622	1 169	(13 452)	8.0%	4.6%	1 538
Community and social services	1 615	(3)	1 612	1 139	(472)	70.7%	70.5%	1 504
Sport and recreation	-	-	-	-	-	100.0%	100.0%	-
Public safety	6 112	(139)	5 974	-	-	100.0%	100.0%	-
Housing	17 759	(10 722)	7 036	30	(7 006)	0.4%	0.2%	34
Health	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>	10 237	-	10 237	10 267	30	100.3%	100.3%	18 516
Planning and development	-	-	-	-	-	-	-	-
Road transport	10 237	-	10 237	10 267	30	100.3%	100.3%	18 516
Environmental protection	-	-	-	-	-	-	-	-
<i>Trading services</i>	57 504	(3 914)	53 590	73 262	19 671	136.7%	127.4%	48 706
Electricity	24 357	(2 001)	22 356	21 985	(371)	98.3%	90.3%	22 189
Water	19 379	(1 343)	18 036	33 409	15 373	185.2%	172.4%	14 954
Waste water management	13 061	(563)	12 497	13 391	894	107.2%	102.5%	7 633
Waste management	-	-	-	4 476	4 476	#DIV/0!	#DIV/0!	3 931
<i>Other</i>	708	(7)	701	-	(701)	-	-	-
Total Revenue - Standard	135 416	(14 477)	120 939	122 663	1 723	101.4%	90.6%	113 179
Expenditure - Standard								
<i>Governance and administration</i>	51 371	743	52 114	72 788	20 674	139.7%	141.7%	77 058
Executive and council	12 193	(670)	11 523	15 794	4 271	137.1%	129.5%	13 943
Budget and treasury office	39 178	1 413	40 592	56 994	16 402	140.4%	145.5%	63 115
Corporate services	-	-	-	-	-	-	-	-
<i>Community and public safety</i>	5 170	(1 056)	4 114	3 571	(544)	86.8%	69.1%	4 013
Community and social services	1 777	(83)	1 694	1 642	(52)	96.9%	92.4%	1 544
Sport and recreation	3 285	(890)	2 394	1 876	(519)	78.3%	57.1%	2 445
Public safety	108	(92)	16	36	20	228.3%	33.7%	24
Housing	1	(1)	-	-	-	-	-	-
Health	-	9	9	16	7	174.2%	#DIV/0!	-
<i>Economic and environmental services</i>	13 073	(1 353)	11 721	13 672	1 952	116.7%	104.6%	13 570
Planning and development	-	-	-	-	-	-	-	-
Road transport	13 073	(1 353)	11 721	13 672	1 952	116.7%	104.6%	13 570
Environmental protection	-	-	-	-	-	-	-	-
<i>Trading services</i>	36 566	18 198	54 764	49 393	(5 371)	90.2%	135.1%	43 159
Electricity	23 110	3 002	26 112	23 542	(2 570)	90.2%	101.9%	21 623
Water	5 454	4 642	10 096	11 985	1 889	118.7%	219.7%	11 385
Waste water management	2 145	8 577	10 723	8 204	(2 519)	76.5%	382.4%	6 104
Waste management	2 657	3 284	5 941	5 662	(279)	95.3%	213.1%	4 048
<i>Other</i>	3 200	(1 307)	1 893	-	(1 893)	-	-	-
Total Expenditure - Standard	106 181	16 532	122 713	139 423	16 710	113.6%	131.3%	137 800
Surplus/(Deficit) for the year	29 235	(31 008)	(1 774)	(16 761)	(14 987)	945.0%	-57.3%	(24 621)

APPENDIX E - Unaudited
SIYATHEMBA LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019
REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)

Description	2018/2019							2017/2018
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
Revenue by Vote								
Executive & Council	2 188	–	2 188	984	(1 205)	45.0%	45.0%	826
Budget & Treasury Office	39 254	227	39 480	36 021	(3 460)	91.2%	91.8%	42 825
Corporate Services	47	–	47	1 745	1 698	3731.9%	3731.9%	2 392
Community Services	20 781	(10 658)	10 123	1 139	(8 984)	11.3%	5.5%	1 504
Technical Services	10 237	–	10 237	9 512	(725)	92.9%	92.9%	16 926
Electricity Distribution	24 357	499	24 856	21 985	(2 871)	88.4%	90.3%	22 189
Water Services	19 379	6 278	25 657	33 409	7 752	130.2%	172.4%	14 954
Sewerage Services	13 061	(563)	12 497	13 391	894	100.0%	100.0%	7 633
Cleansing Services	6 112	(139)	5 974	4 476	(1 498)	74.9%	73.2%	3 931
Total Revenue by Vote	135 416	(4 355)	131 060	122 663	(8 398)	93.6%	90.6%	113 179
Expenditure by Vote to be appropriated								
Executive & Council	12 193	(670)	11 523	15 794	4 271	137.1%	129.5%	13 943
Budget & Treasury Office	31 423	2 236	33 659	51 497	17 837	153.0%	163.9%	54 589
Corporate Services	6 495	(764)	5 731	6 732	1 000	117.5%	103.6%	10 415
Community Services	9 630	(2 422)	7 208	3 571	(3 637)	49.5%	37.1%	4 013
Technical Services	13 073	(1 353)	11 721	12 438	717	106.1%	95.1%	11 681
Electricity Distribution	23 110	3 002	26 112	23 542	(2 570)	90.2%	101.9%	21 623
Water Services	5 454	4 642	10 096	11 985	1 889	118.7%	219.7%	11 385
Sewerage Services	2 145	8 577	10 723	8 204	(2 519)	76.5%	382.4%	6 104
Cleansing Services	2 657	3 284	5 941	5 662	(279)	95.3%	213.1%	4 048
Total Expenditure by Vote	106 181	16 532	122 713	139 423	16 710	113.6%	131.3%	137 800
Surplus/(Deficit) for the year	29 235	(20 887)	8 347	(16 761)	(25 108)	-200.8%	-57.3%	(24 621)

APPENDIX E - Unaudited
SIYATHEMBA LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019
REVENUE AND EXPENDITURE (REVENUE BY SOURCE AND EXPENDITURE BY TYPE)

Description	2018/2019							2017/2018
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
Revenue By Source								
Property rates	18 007	89	18 097	12 580	(5 517)	69.5%	69.9%	12 540
Service charges - electricity revenue	21 900	(4 951)	16 948	18 232	1 283	107.6%	83.3%	17 179
Service charges - water revenue	18 637	(7 494)	11 143	11 904	761	106.8%	63.9%	11 621
Service charges - sanitation revenue	14 466	(10 355)	4 111	4 547	437	110.6%	31.4%	4 054
Service charges - refuse revenue	5 931	(4 347)	1 584	1 872	288	118.2%	31.6%	1 662
Service charges - other	2 703	21	2 724	-	(2 724)	-	-	-
Rental of facilities and equipment	18 462	(10 651)	7 812	975	(6 837)	12.5%	5.3%	784
Interest earned - external investments	50	(45)	5	544	539	10883.5%	1087.6%	207
Interest earned - outstanding debtors	1 301	156	1 458	1 772	314	121.6%	136.2%	1 635
Dividends received	-	-	-	-	-	-	-	-
Fines	11	(6)	5	-	(5)	-	-	-
Licences and permits	1	(1)	0	-	(0)	-	-	-
Agency services	412	-	412	755	343	183.3%	183.3%	1 589
Transfers recognised - operational	35 006	13 070	48 076	36 073	(12 003)	75.0%	103.0%	43 600
Other revenue	-	-	-	2 190	2 190	100.0%	100.0%	361
Gains on disposal of PPE	-	-	-	-	-	100.0%	100.0%	-
Total Revenue (excluding capital transfers and contributions)	136 887	(24 514)	112 373	91 443	(20 930)	81.4%	66.8%	95 232
Expenditure By Type								
Employee related costs	50 269	(10 633)	39 636	42 955	3 319	108.4%	85.5%	42 510
Remuneration of councillors	3 631	206	3 836	3 543	(293)	92.4%	97.6%	3 426
Debt impairment	4 387	-	4 387	12 754	8 367	290.7%	290.7%	10 943
Depreciation & asset impairment	14 685	1 399	16 084	26 286	10 202	163.4%	179.0%	30 059
Finance charges	-	-	-	7 839	7 839	100.0%	100.0%	5 984
Bulk purchases	21 414	-	21 414	19 782	(1 632)	92.4%	92.4%	18 239
Other materials	-	-	-	3 724	3 724	100.0%	100.0%	3 349
Contracted services	6 171	3 795	9 966	9 601	(365)	96.3%	155.6%	9 610
Transfers and grants	-	-	-	-	-	100.0%	100.0%	-
Other expenditure	13 906	438	14 344	13 384	(960)	93.3%	96.2%	11 601
Loss on disposal of PPE	-	-	-	(443)	(443)	100.0%	100.0%	2 552
Total Expenditure	114 463	(4 796)	109 667	139 423	29 756	127.1%	121.8%	138 273
Surplus/(Deficit)	22 425	(19 719)	2 706	(47 980)	(50 686)	-1773.2%	-214.0%	(43 042)
Transfers recognised - capital	10 225	20 000	30 225	31 219	994	103.3%	305.3%	18 421
Contributions recognised - capital	-	-	-	-	-	100.0%	100.0%	-
Contributed assets	-	-	-	-	-	100.0%	100.0%	-
Surplus/(Deficit) for the year	32 650	281	32 931	(16 761)	(49 692)	-50.9%	-51.3%	(24 621)

APPENDIX E - Unaudited
SIYATHEMBA LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019
CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING

Description	2018/2019							2017/2018
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
Capital expenditure - Vote								
Multi-year expenditure								
Executive & Council	-	-	-	-	-	-	-	-
Budget & Treasury Office	-	-	-	-	-	-	-	-
Corporate Services	-	-	-	-	-	-	-	-
Community Services	-	-	-	-	-	-	-	-
Technical Services	9 724	-	9 724	3 046	(6 678)	31.3%	31.3%	6 996
Electricity Distribution	1 100	-	1 100	986	(114)	89.6%	100.0%	2 483
Water Services	7 500	20 000	27 500	21 299	(6 201)	77.5%	100.0%	2 017
Sewerage Services	-	2 000	2 000	3 333	1 333	100.0%	100.0%	7 050
Cleansing Services	-	-	-	-	-	-	-	-
Capital multi-year expenditure	18 324	22 000	40 324	28 663	(11 661)	71.1%	156.4%	18 547
Single-year expenditure								
Executive & Council	-	-	-	-	-	100.0%	100.0%	60
Budget & Treasury Office	-	-	-	267	267	100.0%	100.0%	45
Corporate Services	-	-	-	-	-	-	-	-
Community Services	-	-	-	-	-	100.0%	100.0%	1
Technical Services	-	-	-	-	-	-	-	-
Electricity Distribution	-	-	-	-	-	-	-	-
Water Services	-	-	-	-	-	-	-	-
Sewerage Services	-	-	-	-	-	-	-	-
Cleansing Services	-	-	-	-	-	-	-	-
Capital single-year expenditure	-	-	-	267	267	100%	100%	106
Total Capital Expenditure - Vote	18 324	22 000	40 324	28 930	(11 394)	72%	158%	18 653
Capital Expenditure - Standard								
Governance and administration	-	-	-	328	328	100.0%	100.0%	106
Executive and council	-	-	-	-	-	100.0%	100.0%	60
Budget and treasury office	-	-	-	328	328	100.0%	100.0%	45
Corporate services	-	-	-	-	-	-	-	-
Community and public safety	-	-	-	-	-	100.0%	100.0%	1
Community and social services	-	-	-	-	-	100.0%	100.0%	1
Sport and recreation	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	100.0%	-
Housing	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-
Economic and environmental services	9 724	-	9 724	3 046	(6 678)	100.0%	100.0%	6 996
Planning and development	-	-	-	-	-	-	-	-
Road transport	9 724	-	9 724	3 046	(6 678)	100.0%	100.0%	6 996
Environmental protection	-	-	-	-	-	-	-	-
Trading services	8 600	22 000	30 600	25 618	(4 982)	83.7%	297.9%	11 550
Electricity	1 100	-	1 100	986	(114)	89.6%	89.6%	2 483
Water	7 500	20 000	27 500	21 299	(6 201)	100.0%	100.0%	2 017
Waste water management	-	2 000	2 000	3 333	1 333	100.0%	100.0%	7 050
Waste management	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	18 324	22 000	40 324	28 991	(11 333)	72%	158%	18 653
Funded by:								
National Government	10 824	20 000	30 824	28 663	(2 161)	93.0%	264.8%	18 547
Provincial Government	7 500	2 000	9 500	-	(9 500)	-	-	-
District Municipality	-	-	-	-	-	-	-	-
Other transfers and grants	-	-	-	-	-	-	-	-
Transfers recognised - capital	18 324	22 000	40 324	28 663	(11 661)	71%	156%	18 547
Public contributions & donations	-	-	-	-	-	100.0%	100.0%	-
Borrowing	-	-	-	-	-	100.0%	100.0%	-
Internally generated funds	-	-	-	267	267	100.0%	100.0%	106
Total Capital Funding	18 324	22 000	40 324	28 930	(11 394)	72%	158%	18 653

APPENDIX E - Unaudited
SIYATHEMBA LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019
CASH FLOWS

Description	2018/2019							2017/2018
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts								
Property rates, penalties & collection charges	8 985	3 683	12 668	12 580	(88)	99.3%	140.0%	12 540
Service charges	37 481	(5 840)	31 641	17 950	(13 691)	56.7%	47.9%	14 924
Other revenue	11 744	-	11 744	3 002	(8 742)	25.6%	25.6%	10 935
Government - operating	32 350	10 000	42 350	35 308	(7 042)	83.4%	109.1%	35 399
Government - capital	9 920	30 121	40 041	54 151	14 110	135.2%	545.9%	18 421
Interest	907	-	907	2 316	1 409	255.3%	255.3%	1 841
Dividends	-	-	-	-	-	-	-	-
Payments								
Suppliers	(91 940)	12 744	(79 196)	(23 159)	56 037	29.2%	25.2%	(21 146)
Employees	-	-	-	(46 498)	(46 498)	#DIV/0!	#DIV/0!	(45 936)
Finance charges	-	-	-	(7 839)	(7 839)	100.0%	100.0%	(5 984)
Transfers and Grants	-	-	-	-	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES	9 447	50 708	60 155	47 811	(12 344)	79.5%	506.1%	20 994
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipts								
Proceeds on disposal of PPE	-	-	-	969	969	100.0%	100.0%	(0)
Decrease (Increase) in non-current debtors	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables	-	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-
Payments								
Capital assets	(9 920)	(13 121)	(23 041)	(28 991)	(5 950)	125.8%	292.3%	(17 890)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(9 920)	(13 121)	(23 041)	(28 023)	(4 982)	121.6%	282.5%	(17 890)
CASH FLOWS FROM FINANCING ACTIVITIES								
Receipts								
Short term loans	-	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	1	1	100.0%	100.0%	115
Increase (decrease) in consumer deposits	-	-	-	50	50	100.0%	100.0%	53
Payments								
Repayment of borrowing	-	-	-	(845)	(845)	100.0%	100.0%	(811)
NET CASH FROM/(USED) FINANCING ACTIVITIES	-	-	-	(794)	(794)	100.0%	100.0%	(643)
NET INCREASE/ (DECREASE) IN CASH HELD	(473)	-	37 114	18 995	(18 119)	51.2%	-4016.5%	2 462
Cash/cash equivalents at the year begin:	-	-	-	148	148	100.0%	100.0%	(2 314)
Cash/cash equivalents at the year end:	(473)	-	37 114	19 143	(18 765)	51.6%	-4047.8%	148